

JPRS-WER-84-110

6 September 1984

West Europe Report



FOREIGN BROADCAST INFORMATION SERVICE

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6 September 1984

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GOALS, TACTICS OF COUNTRY'S PEACE GROUPS EXAMINED

Reykjavik MORGUNBLADID in Icelandic 8 Jul 84 pp 22-23

[Commentary by Gudmundur Magnusson: "Are the Ideals of the Base Opponents For Sale: A Look at Some Factors of Poll of Icelanders' Views on Security and Foreign Affairs"]

[Text] The main conclusion of the extensive poll conducted by Olafur T. Hardarson on the views of Icelanders on security and foreign affairs which MORGUNBLADID reported in detail on Thursday does not come as a surprise. The majority of Icelandic voters favor two main foreign policy issues pursued by the government during the recent decades: membership in the Atlantic Alliance and the presence of the Defense Force in the country. The information that two-thirds of the voters want Icelanders to charge a fee for the stay of the Defense Force in the country must, however, be claimed a novelty. Also, there are many curious things that come forth in the portion of the poll that only covered voters in the Reykjavik area; and there is a good reason to point out that it is a moot point and the conclusions must be interpreted with great care. It is not at all clear what conclusions can be drawn from some of the answers given by the participants and in some instances their views seem downright contradictory.

As came forth in MORGUNBLADID, Hardarson's poll was divided into two parts. In the first part, 1,003 voters nationwide were asked about their position on the Atlantic Alliance; the presence of the Defense Force and charging the Defense Force a fee. In the second part, a sample from the first group, consisting of 329 voters from the Reykjavik area, were asked several other questions relating to security and foreign affairs such as their opinion on the probabilities of war; about a Nordic nuclear-free zone; about peace movements; about aid to the developing countries and armament of the Atlantic Alliance. First I want to refer to three points in connection with the first part; the conclusions in that part are more reliable than in the latter part because of the number of participants and their distribution nationwide.

One-Fourth of People's Alliance Voters Support Atlantic Alliance

It comes as a surprise how many People's Alliance voters say they support the Atlantic Alliance. They proved to be 17 percent and if only those who had an opinion are counted, they are 23 percent, or almost one fourth. It is well known that the fight for Iceland's withdrawal from the Atlantic Alliance has always been one of the main factors in the People's Alliance foreign policy. This conclusion must therefore be a great shock to the party leaders. I think, however, that within the party some doubts about the position on the Atlantic Alliance have been stirring for some time and it should be called to mind in that connection that one of the THJODVILJINN reporters recently aired the idea in the paper that it might be appropriate to review the position on the alliance in light of the great support it enjoys among the public.

According to the poll, 54 percent of the voters favor the presence of the Defense Force in Keflavik. However, 30 percent of the voters are opposed to the presence of the Defense Force and 15 percent think it makes no difference whether there is defense here or not. It is, of course, gratifying that the majority of voters realize the necessity for the presence of the Defense Force in the country. However, there is reason for concern that so many people are of the opposite opinion or do not care. This is particularly frightening news when keeping in mind the obvious arguments for the necessity of defense in the country.

Half of Opponents to Base Want to Charge Defense Force a Fee

The categorical support of two thirds of the voters to the suggested idea of charging the Defense Force a fee comes somewhat as a surprise. This conclusion perhaps proves that the political parties that are against the idea and have never wanted to even discuss it seriously, are not sufficiently in contact with the regular voters. Our political leaders must realize that even if the idea of charging a fee is both base and morally unsound, it can no longer be ignored. Instead of bypassing it, they must take the time to explain to the voters why the idea is impossible.

What arouses the greatest attention in connection with the position people have to charging the Defense Force a fee is that almost half, or 48 percent, of the opponents to the Defense Force, the so-called "base opponents," are in favor of it. In other words, this group seems to be prepared to sacrifice its opposition to the Defense Force for a fee which must give opponents of the base both worries and something to think about. It is also of great interest that no less than 45 percent of People's Alliance Voters favor charging a fee. The antipathy these people have about "American imperialism" obviously does not go too deep; and their worries that the Defense Force will ruin the Icelandic culture and pose a threat to the country's independence do not seem to weigh too heavily on their minds. Chairman of the People's Alliance Svavar Gestsson has said that the popularity of the idea of charging a fee indicates an "occupation mentality" and he pointed out that a majority of the Social Democratic Party, the Progressive Party, the Independence Party and the Social Democratic Alliance voters favor the idea. He does not see the forest for the trees!

Reykjavik Poll Not as Reliable as Nationwide Poll

The part of the poll that only covered the Reykjavik area cannot be considered as reliable as the part that covered the whole country. Olafur T. Hardarson says in a report accompanying the conclusions that it should be kept in mind that "the answers only apply to the inhabitants in the metropolitan area and not to the nation as a whole." He also points out that because the sampling was smaller, the margin of error is higher than in the other part of the poll.

In the Reykjavik poll, the people polled were asked to take a position on several statements containing various concepts and labels that are often heard in political discussions. The following is one example: "There is reason for Icelanders to support the idea of a Nordic nuclear-free zone." A great majority of the participants, or 86 percent, said they agreed with the statement. This arouses the question about what is meant by a "Nordic nuclear-free zone"? Do people want no nuclear weapons to be in the Nordic countries or no weapons in a specific area in the Nordic countries and therefore the issue being fought for is perhaps not quite realistic?

Support for Peace but not Unilateral Disarmament

Another statement the Reykjavik group was asked an opinion on was this: "Peace movements such as those that have emerged in the United States and Europe are a step in the right direction." About two thirds of the participants agreed with the statement. Only 16 percent said they disagreed. The participants were also asked to give their opinion on the statement: "The Atlantic Alliance (NATO) must not lag behind the Warsaw Pact militarily if peace is to be ensured." Overwhelming majority of responders, or 70 percent, said they agreed. Only 17 percent disagreed.

At a quick glance there seems to be contradiction between these two views. Many associations in the United States and Europe that characterize themselves with "peace," among those are the ones best known in this country, want unilateral disarmament by the Western countries and harshly criticize the "arms race" which Icelandic voters seem to support. It can very well be that the explanation here is simply that the voters are illogical and inconsistent. I think it is more likely, however, that people tend to put all movements that characterize themselves with "peace" in the same pot and think that they can only do some good. The support of voters in the Reykjavik area of peace movements is then a declaration of the desire for peace and it does not mean, for example, that they favor unilateral nuclear disarmament of the democratic states.

In Favor of Defense Force but Against Military Defense!

The conclusion of the Reykjavik poll that comes most as a surprise is that only 45 percent of the participants agree with the statement that it is necessary "to maintain some kind of military defense in the country." Forty-three percent of the participants disagree with that statement and included in that group are about 30 people who earlier said they were in

favor of the Defense Force presence in Keflavik. In his report, Olafur T. Hardarson says that this "undeniably comes as a surprise because at a quick glance, this position seems contradictory." He feels that there are three possible explanations for this. Firstly, that these respondents, or some of them, did not realize that this position of theirs can be contradictory--for example, that they did not give the question much thought when they answered it and their answers were almost haphazard. Secondly, this position does not have to be contradictory by nature: people can disagree with the need of Icelanders for a military defense but nonetheless be in favor of the Defense Force, for example, because they want to charge a fee. Thirdly, it is possible that some people misunderstood the statement, for example, they might have thought that this was a hint about an Icelandic military force.

Hardarson chooses not to place any of these possibilities above the other but points out that the group of 30 had less interest in politics than those who are both in favor of the Defense Force and feel it necessary to maintain military defense in the country.

Answers That Tell Nothing

In the Reykjavik poll, the participants were also asked to express their opinion on how important an "issue" the Defense Force in Keflavik is in comparison with other issues topical in political debates: relations between the state and the labor unions; the regional policy and inflation. The conclusion was that the Defense Force and the regional policy were not considered as important as the other two issues. It is, however, not at all clear what conclusions can be drawn from these answers. The author of the poll does not discuss that and I tend to think that no categorical conclusion can justifiably be drawn from these answers. The question was not phrased clearly enough for that.

Women's Lack of Interest

Two other factors that the Hardarson poll brought to light deserve attention. One is the lack of interest among women on security and foreign affairs and the other is the difference of voters' views according to age.

Almost half the women in the nationwide part of the poll said that they had no opinion on the membership in the Atlantic Alliance but only a little over one fifth of the men said the same. The conclusions of the Reykjavik poll also showed that women follow security and foreign affairs considerably less than do men. The difference between men and women was, however, much less in the questions about how well people followed domestic politics and municipal politics. Attention should be called to the fact that Hardarson's opinion poll was conducted after the parliamentary elections last year in which a special women's slate was being voted on and women's issues were highly discussed. The conclusion may perhaps be drawn from the poll results that the "women's awakening" is limited to a rather small group and that the "women's fight" in recent years has not yielded the result that some of its leaders have maintained.

Age Difference of Interest

The opposition to the membership in the Atlantic Alliance and the presence of the Defense Force seemed to be greater among young voters than the older ones. The opposition to the Atlantic Alliance is greatest among voters in the age group 24-29 and those in their thirties. The opposition to the Defense Force is greatest among those who are in the 20-29 age group. Hardarson says it is not clear whether this is a "generation gap difference," ("i.e. generations have different views that can be traced to different environmental influences during the formative years") or "age changes" (i.e. that young people generally are more attracted to certain views than older people which also means that these views tend to change with age"). Hardarson points out, however, that the opposition to the Atlantic Alliance is less among the youngest voters--those who voted for the first time in 1983. "This might indicate a "generation gap difference," says Hardarson, "which agrees with the fact that people who were about twenty during the Vietnam war and the student revolution are now about thirty and into their thirties."

It is possible that there is some truth to it that the youngest voters are more in favor of Western defense cooperation than those who are close to thirty and in their thirties. It is not certain by any means but the fact about the age differences cannot be ignored. It is necessary to find out why these differences exist. Could this perhaps have anything to do with the proverbial "brainwashing" in our schools?

Information on Voters' Views Not Indisputable

It seems to me that lecturer Olafur T. Hardarson took great care in making his poll as perfect as possible and it is a great credit to him and his co-worker, Gunnar Helgi Kristinsson, political scientist. The jargon that sometimes can be seen in the writings of some "sociologists," is not to be found here. Hardarson's report is written in clear and simple language and maybe it is just my idiosyncrasy to find fault with his choice of words. But the word "categorically" is to be found on almost every page of the study and it leaps to the eye. Why not use the word "decided" and say that people are "decidedly in favor" or "decidedly against" the Defense Force if it is necessary to use such strong words.

I have no expertise in the technique of designing and conducting opinion polls and therefore I do not feel that I am capable of ascertaining whether the question format Hardarson used (the people polled are generally asked to take a position on statements) might affect their answers. A layman in this field, such as the undersigned, feels that it must, but Hardarson says in his study that no rule applies to this. "This tendency (to agree with a statement rather than disagree)," writes Hardarson, "sometimes occurs--about some issues and some statements--but sometimes not at all." With this in mind that this factor is at least a matter of doubt, it is in order to ask whether it would not have been more feasible to try the direct questioning method.

Foreign Minister Geir Hallgrimsson pointed out in an interview in MORGUNBLADID about Hardarson's poll that security and foreign affairs are multifaceted and complicated and that it is extremely difficult to design questions for an opinion poll on these issues so that there is no doubt about the actual views of the people. I think Hardarson made an honest and carefully prepared attempt to obtain information about the voters' views; but as he will probably be the first to agree, we still do not have indisputable information on the views of Icelanders on the more complicated factors of security and foreign affairs. It is in fact a matter of opinion whether it is possible to obtain such information by applying the methods used in conducting the traditional opinion polls.

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CSO: 3626/28

FOREIGN MINISTER HALLGRIMSSON ON ARMS CONTROL, SECURITY ISSUES

Reykjavik MORGUNBLADID in Icelandic 7 Jul 84 p 25

[Article: "'Important Constantly To Discuss Security and Foreign Affairs,'" Says Foreign Minister Geir Hallgrimsson]

[Text] "It is very gratifying to have it confirmed that 80 percent of those who take a position are in favor of our membership in the Atlantic Alliance. This agrees with what has been generally assumed but it is good to have it confirmed. It is interesting and to a considerable degree disappointing that a third of the people polled do not take a position and it is difficult to imagine that such a large proportion of the voters have in fact not formed an opinion on this issue," said Foreign Minister Geir Hallgrimsson when MORGUNBLADID asked for his opinion on the conclusions of a newly published study by Olafur Th. Hardarson, political scientist, on the views of Icelanders on security and foreign affairs.

"The author of the study may be correct in saying that some explanation of the no-position attitude of the participants lies in the form of the question as it began by asking whether people had an opinion on the issue and in other instances people were directly asked about their opinion on the issue," said Hallgrimsson. "I am, however, not familiar with opinion polls and have expressed great lack of confidence in them. Nonetheless, I think that this study is one of the most efficient studies that has been conducted but I do not understand why the format of the questions differ. It seems to me that it distracts from the comparison validity of different questions."

Hallgrimsson said that the concluding results of the question about the Keflavik Base was also very much in accordance with what had been assumed in discussions on that issue. Hallgrimsson said it did not come as a surprise that more people supported membership in the Atlantic Alliance than supported the Keflavik Base. When Iceland joined the Atlantic Alliance in 1949, it was not expected that any army would be stationed here in peacetime but experience has shown that it cannot be avoided. "It is natural that people differentiate between these two issues," said Hallgrimsson, "because we want to keep the possibilities open when the outlook for peace is better

in the world that no foreign army will be needed here although a defense alliance such as the Atlantic Alliance continues to exist."

Two-thirds of the participants supported the idea of charging the Defense Force. What do you think about that opinion?

"From time to time, voices have been heard claiming that we should charge the Defense Force for the facilities it gets by using the Keflavik Base and various opinion polls have shown that there is considerable support for such measures. Nonetheless, these findings are extremely disappointing to me and totally against my way of thinking. In connection with this I must again remark on the format of the question. The statement is: "Icelanders should charge for the stay of the Defense Force in the country," and it goes on to ask about the opinion. I think that the statement at the beginning might influence the answers. Automatically people tend to say yes to such questions rather than oppose them."

"The majority of the participants agree with a nuclear-free zone in the Nordic countries and peace movements and thinks that the Atlantic Alliance must not lag behind the Warsaw Pact militarily in order to ensure peace.

"I think it should definitely be kept in mind what the author of the poll calls attention to: that much fewer participants were asked about these issues and only people who live in the metropolitan area. The conclusions are therefore not as valid with regard to these questions," said Hallgrímsson.

Hallgrímsson pointed out that all the questions in this portion contained a statement which the participants had to take a position on, and that there is still reason to believe that the probabilities are greater that people would agree with the statement than disagree. "If we first talk about a nuclear-free zone in the Nordic countries, then most likely there is no possibility to define further in an opinion poll like this what is meant by the concept. I have, for example, expressed publicly that I am of the opinion that Icelanders should definitely participate in the discussions about nuclear-free Nordic countries. At the same time I have stated that I think that there is a greater reason to begin in other places than the Nordic countries to declare nuclear-free zones because the fact is that there are no nuclear weapons in the Nordic countries. It is, for example, necessary to remove nuclear weapons from countries that border the Nordic countries, such as the Soviet Union and other Eastern Bloc countries. I have also stressed that the discussion about a Nordic nuclear-free zone must also take place in a wider context and nuclear-free zones must receive the confirmation of the nuclear powers themselves. It is also something for us to think about whether it in fact is of any significance to declare certain zones nuclear-free when it is known that it is possible to fire nuclear missiles long distances. It should be kept in mind that nuclear-free zones can force the transfer of nuclear weapons out into the ocean where they can ruin marine life if something goes wrong. It is well known that armament in the open seas has been of great concern for us Icelanders," said Hallgrímsson.

"In connection with the peace movements," said Hallgrimsson, "I want to call to mind what I have said before: that such movements can be for the good, especially if they are allowed to operate both in the East and the West; however, they only do harm if they lead to unilateral disarmament of free democratic nations as then the time we would lose our freedom might not be far off. Peace movements are different and deliver their message in different ways as a recent example from Holland proves. In Holland, a leader of the peace movement has declared that based on conditions, it might be necessary to deploy nuclear missiles in Holland in order to ensure peace and initiate talks between the superpowers about disarmament."

Hallgrimsson said that support of peace movements could not be interpreted as support of unilateral disarmament. In that connection he pointed out that about 70 percent of the participants had had the opinion that the Atlantic Alliance must not lag behind the Warsaw Pact in order to ensure peace.

The foreign minister was asked about his opinion on the curious conclusion of the poll that about a fourth of the People's Alliance voters favor membership in the Atlantic Alliance and 45 percent of them favor charging The Defense Force a fee; moreover, 48 percent of the opponents of the Defense Force are in favor of charging.

Hallgrimsson said: "This shows that even within their own ranks, the People's Alliance has not succeeded in the opposition propaganda against the Atlantic Alliance. It is frightening, however, that almost half of the People's Alliance and Opponents to the Base want the charge for the Keflavik Base. The conclusion seems reasonable in this connection: that they would stop their opposition to the base for a fee. Such a position is beneath the dignity of independent Icelanders."

In conclusion, Foreign Minister Hallgrimsson pointed out that security and foreign affairs are complicated and multifaceted, and that it would be extremely difficult to design questions in an opinion poll about their individual factors so there would be no doubt about people's position. "Just because how important these issues are," said Hallgrimsson, "it is extremely important that they be constantly dealt with. Foreign nations that maintain armed forces must decide every year how much of the GNP they will use for defense, and in connection with discussions about these issues in the parliaments of democratic nations, similar discussions automatically take place within the society. This is, of course, totally different under dictatorships where leaders do not have to ask the people. Although we Icelanders do not have to devote our income to military expenses, it does not absolve us from making an independent opinion at any given time about what is necessary to do in order to ensure our peace and freedom."

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CS0: 3626/28

VENNAMO WORRIED ABOUT CHALLENGES FROM OWN RURAL PARTY RANKS

Helsinki HELSINGIN SANOMAT in Finnish 3 Aug 84 p 8

[Commentary by Kyosti Karvonen: "Pekka Vennamo Worried About Junta of Party Secretaries: SMP Leader Urges Government to Settle its Own Disputes"]

[Text] SMP leader urges government to settle its own disputes.

SMP [Finnish Rural Party] chairman and Second Minister of Finance Pekka Vennamo has repeatedly warned government coalition party secretaries against getting too deeply involved in government politics. In his opinion, decisions should be made in a government that bears the responsibility for them.

On the eve of the SMP party congress Vennamo is surprised at leading politicians' desire to shirk their duties. He said that, "the way things look now," he himself is ready to stay on, but not, however, for as long as his father.

While the outcome of the SMP party congress to be held in Turku this weekend is being predicted on the Social Democratic "infocracy" scale, the news is not very promising either.

Assembled for the 26th time, the "forgotten people" will proclaim Pekka Vennamo chairman as they have before, probably elect organization chief Aaro Niiranen to replace Labor Minister Urpo Leppanen as party secretary and declare its own Greenness just before the municipal elections.

The forecast pattern was the same last year in Kuopio with the chief difference being that honorary chairman Veikko Vennamo championed Member of Parliament Pentti Kettunen for Leppanen's post.

The plan failed. The ordinarily obedient SMP rank and file surprised party leaders by backing Niiranen for it instead of Kettunen. Pekka Vennamo wanted to avoid a mortifying vote and persuaded Leppanen to stay on for a year.

Now the change has been prepared for as carefully as possible and Vennamo Jr has clearly labeled Niiranen in advance as his choice.

His duties as a member of Parliament, his vigorous, Rinne-style defense as minister of labor and his new familial bliss take so much of his time that Leppanen wants to be rid of his leadership of the SMP organization machine.

Actually, Niiranen has been broken in to his new duties since the Kuopio congress.

The SMP is in a great hurry to train new people for the party's very thinly staffed top leadership.

Vennamo admits that there is a problem: "There could be more people who are in the public eye, well-known and who have longer political experience." There are nothing but rush-fringed sounds, grain fields and renegades ransacked from the different political parties behind the Vennamos and Leppanen.

Let the Party Secretaries Stick to Their Lasts

Vennamo assumes that the new party secretary will concentrate on looking after the party machine. He warned the party secretaries of the other government parties against exerting undue influence over government policy.

"During the term of this administration the party secretaries have several times had occasion to participate in its work. I hope that this policy will continue or at least become more widespread," Vennamo said.

Last winter, under the talkative leadership of Savo members Erkki Liikanen (Social Democrat) and Seppo Kaariainen (Center Party), the government parties' party secretary committee made an effort to settle the dispute over the child home care subsidy, concerning which Social Welfare Ministers Vappu Taipale (Social Democrat) and Eeva Kuuskoski-Vikatmaa (Center Party) had been at one another's throats for months.

Even Center Party parliamentary delegation chairman Kauko Juhantalo took a swipe at the party secretaries last spring. "In my opinion, the danger exists that we go too far when a party secretary committee is formed that resolves problems when the government is incapable of doing so," Vennamo said. He nevertheless felt that, as the administration grows older and the new ministers accumulate experience, the secretary committee phase will pass.

Vennamo softened his statement, saying that there is no reason why the party secretaries should entirely stick to their lasts. He feels that these "dirty work heroes" are appropriate aides of the government and the government parties — we should not make them umpires to settle government disputes.

Someone Other Than a Vennamo to Head the Party?

The name, Vennamo, is as closely linked with the SMP as Sinisalo is with the minority Communists. So, can someone other than a Vennamo at some time rise to be the leader in place of Vennamo?

As strange as it may sound to many people, Vennamo answered as follows: "I can well imagine that a person other than someone called Vennamo may and certainly will at some time head the SMP."

Vennamo Sr headed the party for some 20 years. Vennamo Jr has not planned as long a term for himself, although there are no more specific plans either.

It has recently been fashionable among top politicians to toss hints into the air as to when each of them would like to retire from politics and which retirement post would be worthwhile.

Vennamo said that he marvels at those who announce that they will stay on for so and so long. "With such an attitude they are trying to persuade the public and themselves a bit as well that they are irreplaceable." The only estimate he consented to give of his own term was that his chairmanship will scarcely last as long as Vennamo Sr's.

Vennamo has joined in the Social Democrats' infocracy chorus, but with a different voice. "We have reason to criticize the press, but not in the way it is now being criticized. The press doesn't raise issues too eagerly, nor does it brand people as being guilty before they are proven guilty. On the contrary, the press may rather be criticized for still protecting people who occupy leading positions," Vennamo said.

Vennamo feels that the press still reacts differently to the political parties.

"If a member of the SMP does something that there is really reason to criticize, it is done with headlines that are twice as big [as in the case of the other parties]. I really think Martti Ratu got what he deserved, but, if they're going to make a federal case out of some member of Parliament's speeding violation, they could indeed do that a bit less often too," Vennamo said.

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PCF JOURNAL LOOKS AT EUROPEAN ELECTIONS, PARTY STRATEGY

Paris CAHIERS DU COMMUNISME in French Jul-Aug 84 pp 4-11

[Article by Mireille Bertrand: "After the European Elections: How To Respond to the Expectation of the French People and to the Crucial Problems of the Country"]

[Text] The results of the European elections have shown that a major part of the voters of the left, communists included, are dissatisfied with the policy currently being pursued in basic sectors, such as employment and purchasing power, for example. For their part, the communists have undertaken a broad debate to determine all the causes of the latest decline of their party and to decide what action they should take today to overcome the difficulties facing the French people and the country.

The results of the European elections are promoting many thoughts among all those interested in the future of France. The communists are among these. As invited by the Political Bureau, beginning 19 June they have been conducting a vast debate to try to understand what produced these results, what consequences they may have for the country, and to consider what action the Communist Party organizations should take in this situation.

The French Communist Party (PCF) Central Committee met for 2 days in a very intense discussion.

A considerable decline for the left; that is the first conclusion one arrives at on studying the results. The two main parties of the majority government lost almost 20 percent of the votes in 3 years. The most significant losses were by the Socialist Party (PS): 3,345,000 fewer votes compared to the presidential election, and 5 million compared to the 1981 legislative election. In view of the considerable powers of the PS in the state apparatus and the media, one can appreciate the strength of the repudiation delivered against the current government policy.

The voters who defeated Giscard d'Estaing and the right in 1981 and elected a new majority had attached great hope to their vote. Was it an unreasonable hope? A hope full of illusions? No doubt that was true for a certain number of them. However, it did not seem unreasonable to expect of the left that it would improve the employment situation, the life of those who live off their work or their retirement salary, that it should begin to bring new quality to the schools, and that it should guarantee social welfare, security.

Yet, despite the interesting measures of the initial years, the balance reflects an inability to deal with the black tide of unemployment. The

purchasing power of many categories of wage-earners, retirees, and families of handicapped individuals, after having been significantly increased, has again been eroded. All the major problems of French society remain, without the prospect of a start toward solution. There is thus a profound discontent, disillusion and even despair. It was a serious warning that the voters gave to the left on 17 June.

The government in power should not interpret the result to mean that it should move to create new political combinations to establish a new majority, as some are suggesting, but, to the contrary, that it should show a great deal of resolution to achieve success for solutions to the country's crucial problems.

In the first place, this involves putting employment at the center of concerns; the goal is to produce wealth and not unemployment, and this requires devoting effort above all to reviving the production that the country needs, training, research, productive investment, and modernization.

It involves progressing toward more social justice, tax justice, keeping in mind that improved purchasing power for wage-earners and retirees, and a high level of social protection, are trumps against the crisis.

It involves extreme strictness in use of public funds, which must no longer go into waste or speculation.

It involves setting aside the resources to begin to change something in the schools, in urban life.

The second observation is the massive abstention of voters, an abstention without precedent that primarily affected the left, but not only the left. That means something.

Certainly, for the voters of the left abstention was a way of punishing the parties that represent them, as we have seen. It was also a sign of certain disinterest, due no doubt to the nature of the election, but perhaps also to a rejection of politics in general.

Some voters, disappointed with the left, then proceed to the conclusion that the left and right are all the same thing, or even that the unemployment level is irreparable because even the left has not succeeded in checking it. This causes a kind of resignation, a discouragement. It leads one to regarding any involvement as useless and to leaving it to the "authorities" to manage as the lesser evil. However, in this respect, the government has a great responsibility, because it cannot have solid foundations with unmotivated people. A sharp push in implementing the commitments of 1981 would be moderated by a greater and more effective involvement of the country's active forces for success, to combat the crisis.

That the right obtained a better percentage was due less to a massive mobilization of its electorate than to the greater demobilization on the left.

The result of the Le Pen list, resulting primarily from a transfer to the right, reflects the impact of certain reactionary and dangerous ideas that we

must take seriously and combat, without nevertheless outright identifying them with fascism.

The majority has a big job on hand to restore the situation in response to the country's expectation. For their part, the communists are determined to take action in the government, in Parliament, and throughout the country so that things will go forward, so that the commitments will be honored, and so that the left will succeed.

However, that said, the Communist Party has indeed suffered a new decline. With 11.2 percent of the vote, it lost more than 2 million of the votes received during the first round of the presidential election. That is a disturbing result that all communists are taking seriously, and for which we must try to find the reasons.

The Central Committee has naturally discussed it at length.

The communist voters who abstained were first of all expressing their disappointment, their dissatisfaction with the policy of the left, for which they hold us corresponsable.

For a very long time they had been waiting or struggling for a government of the left including communist ministers, in order to promote a policy other than that of the right. This government has been in power for 3 years, and the difference from the right is not striking. The voters therefore believe that since we are in the government we have our share of responsibility for what is not happening.

Perhaps our "programatic" initiative of the past has boomeranged on us: we unconsciously so much promoted the illusion during the period of the common program that it would be enough to put in a government of the left with communist ministers!

The same is true, for example, of the nationalizations for which we fought so hard, by adorning them with many virtues: however, they took place without the workers experiencing the slightest benefit.

In light of this policy so little like what they had hoped for, many communist voters have had the feeling of being deceived by the left, deceived also by the communists, from whom they had expected a greater role, a greater effectiveness in implementing the policy of the left.

The austerity plan, the steel plan, the layoffs, and the setbacks for purchasing power and social protection hit hard at many communist voters, those who in general most needed change. We protested loud and strong, proposed other approaches, but in the end we appeared to accept. Some regarded us as politicians, others as nonrealists, but in any case as nonachieving.

Obviously, the media campaign aimed systematically to harm us, consciously distorting our statements, giving our policy a zigzag image, and keeping silent about the humanist scope of our struggle.

The anticommunist battle is a constant in French political life. It has only become reinforced during the latest period. The government, while encouraging it, pursues the objective of weakening the Communist Party; it is playing with fire, because it is the majority itself that is being compromised.

The struggle of ideas is waged in all directions, with unprecedented intensity and scope, but in proportion to the stakes of the actual struggle of the classes.

It is waged on the frontline of the crisis, concerning its nature, its causes, and the possibility or not of facing it, and ways to emerge from it. It is waged regarding the world developments, the socialist countries, issues of war and peace, and disarmament. It is waged regarding evolution of the society, the direction of changes, social relations, the awareness of life, role of the state, and freedoms.

In short, no subject escapes this struggle of ideas, and some ideas are promoted that, point by point, seek to discourage the personal and collective effort and commitment to social progress, human progress; present in a negative light, as a threat to freedoms, the social and democratic achievements; and give a rather sordid image of politics.

Add to that a dedication to destroy the communist electorate: all the strong points of the Communist Party are targeted one after the other to sow doubt.

x All this should be taken into consideration in analyzing the causes of the PCF's setback.

However, analysis of the 17 June elections calls for more thorough reflection.

Why were these campaigns more effective than previously? Why did so many voters not listen to the PCF's appeal to give through the vote the necessary strength for the party's proposals to move forward? Or, if they did hear it, why did they not believe in the sincerity and effectiveness of the communists? Why did they find it better to abstain than to vote communist?

The Central Committee has asked itself all these questions and has begun to think how to answer them. This reflection will assume its full dimensions in the democratic preparation for the 25th Communist Party Congress.

There appears one thing certain: the strategy developed by the 24th congress is not in question. On the contrary, we are convinced that we must revive it, give it breath. This is a great reason for confidence.

The Central Committee is fully aware of its collective responsibility and of the gravity of the situation, but it also believes that the communists have the means to face it: a strategy of advance by the democratic path, that is, by rallying, struggle, individual involvement, toward a democratic socialism of the French type.

An advance at the rate of the possible, at the rate defined by the people themselves: that assumes a revolutionary party, a Communist Party, stronger,

more influential, capable of motivating men to become involved, to act, to make changes and reforms in all fields.

The party, which has been able over the years, though certainly with some delay, to carry out the reflection to develop this strategy, has the potential resources to implement it.

It is a matter of an initiative, a political experience, a type of behavior, and even a concept that are profoundly new.

It is a matter of giving birth to the new society out of today's reality. It is a matter of seeing that emerging from the crisis and constructing socialism in the French style are one and the same thing, and that assumes, without a priori ranking, innovative solutions for each problem, ones that will promote the future and are very realistic. It is a matter of thinking and practicing politics starting with the people, what they are, and what they think, and with them.

It is a matter of being rooted in French society, which is today in the process of change, of reweaving the ties with the people. It is a matter of closely relating today's problems with our concept of the French-style socialism. It is a matter of being able to bring to bloom every new seed in this crisis that is so difficult and so complex. It is a matter of not losing sight at any instant of the goal of the struggle, emancipation, human progress, and thus restoring to politics its noble attributes. It is a matter of a very open initiative, of very broad rallying, an initiative of lucid confidence in the future, in the French people, in their diversity, which is to a great extent reflected in many of the values we represent.

It is all communists, party organizations, and Central Committee cells that are in apprenticeship to carry out this new strategy, in all its implications.

The life of the party itself, its functioning, no doubt needs to be updated for this strategy so that the French Communist Party will really be the revolutionary party of our time, a modern and effective party losing none of its profound identity yet capable of newly unfolding its personality.

On the quality of the reflection of the communists depends the party's resurgence. It is important that the debate continue and amplify, that it be open and tolerant, with a spirit of responsibility that creates the will to go forward.

This reflection will be even more effective if it is not conducted in seclusion but also in life, in the struggles, in debate with the people.

Good preparation for a great Celebration of Humanity can be an important phase.

PCF INTERNATIONAL ACTIVITIES OF SECOND QUARTER ITEMIZED

Paris CAHIERS DU COMMUNISME in French Jul-Aug 84 pp 110-112

[Text] Meetings, Discussions, Solidarity

We continue publication of our column on the international activity of the French Communist Party (PCF).

March

16--Jose Pasos, assistant director of the department of international relations of the Sandinist Front, accompanied by Alejandro Serrano, Nicaraguan ambassador to Paris, was received by Maxime Gremetz, member of the Political Bureau and secretary of the Central Committee.

23--Maxime Gremetz sent a message to UNESCO Director General M'Bav following the criminal arson at the headquarters of that organization.

April

10--Rafael Solis, secretary of the State Council of Nicaragua and deputy commander of the revolution, met in Strasbourg a delegation of the communist group in the European Assembly.

12--A delegation of French democratic parties and organizations went to the U.S. Embassy in Paris to deliver a document protesting the American intervention and threats against Nicaragua. Maxime Gremetz represented the PCF (L'HUMANITE of 13 April).

13--Maxime Gremetz met with Sam Nujoma, the president of SWAPO (South-West African People's Organization).

17--At the initiative of the Luxembourg Communist Party, a meeting was held at Esch-sur-Alzette (Grand Duchy of Luxembourg) of the communist parties of EEC member countries. Represented were the communist parties of Germany, Belgium, Denmark, France, Greece, Italy, Luxembourg, and the Netherlands. The PCF was represented by Jacques Denis and Henri Costa, Central Committee members.

18--The PCF gave its support to an evening of solidarity with El Salvador organized by the France-Latin America Association on the fourth anniversary of the Revolutionary Democratic Front.

18--Maurice Martin, deputy of the European Assembly, represented PCF support in the protest march toward Strasbourg at the initiative of the committee for solidarity with political prisoners in Turkey.

20--A solidarity meeting with representatives of the French and Iraqi Communist Parties was held in Paris on the occasion of the 50th anniversary of the Iraqi Communist Party.

27-29--Jean-Charles Negre, assistant director of the foreign policy section, represented the PCF at the Eighth Congress of the Guadeloupe Communist Party.

May

4--Louis Minetti, senator, represented the PCF at the international conference on Latin America held in Lisbon.

11--In the name of the PCF, Maxime Gremetz issued a declaration describing the possibility of a visit to France by South African Prime Minister Botha as "contrary to the necessary struggle for human rights."

14--In the context of the excellent relations of cooperation between the two parties, a meeting was held at the PCF headquarters between Harilaos Florakis, first secretary of the Communist Party of Greece, and Georges Marchais, secretary general of the PCF. Also participating in the meeting were, for the Greek Communist Party, Orestis Kolosof, alternate member of the Political Bureau, and Demetre Androulakis, Central Committee member, and for the PCF, Jacques Denis and Henri Costa, Central Committee members. The two leaders reviewed the development of the political situation in their countries and the activity of the popular forces, particularly in confronting the efforts of the rightwing forces, in the respective conditions of Greece and France. They also discussed some aspects of the international situation. On this occasion, they also exchanged information about the progress of the European elections campaign in France and Greece. They expressed concern about the consequences of a further enlargement of the European Community. In face of the Europe of big capital and multinational corporations, they intend to work for a Europe of social progress, full employment, democracy and peace, in independence and cooperation of the member countries.

14--At the invitation of the Yugoslav League of Communists, Maxime Gremetz met in Belgrade with Dragoslav Markovic, chairman of the Presidency of the League's Central Committee. He also had conversations with Dobrivoje Vidic and Petar Matic, members of the Presidency. Jacques Planche, a collaborator of the PCF Central Committee, participated in these meetings.

18--Guillermo Garcia Frias, a commander of the revolution and minister of transport of the Cuban Republic on official visit to France, was received at the PCF headquarters by Maxime Gremetz.

19--At the invitation of the Hungarian Socialist Workers Party (MSZMP), Maxime Gremetz met in Budapest Matyas Szuros, secretary of the MSZMP Central Committee. Edith Veroh and Jacques Planche, Central Committee collaborators, participated in the meeting.

20--Georges Marchais sent a message to the CPSU for a response regarding the health of the Sakharov couple. He made it public on 20 May (L'HUMANITE of 21 May).

21--A meeting took place at the PCF Central Committee headquarters between Louis Van Geyt, president of the Belgian Communist Party, accompanied by Susa Nerdeliolle, national secretary of the party, and Georges Marchais, secretary general of the PCF, accompanied by Maxime Gremetz.

22--A delegation of the African National Congress (ANC) visited France. It was received at the headquarters of the PCF Central Committee.

24--In the name of the PCF, Maxime Gremetz presented the proposals of the French communists contained in the document titled: "Succeed in France, Create New Things in Europe." This document was published in the CAHIERS DU COMMUNISME of June 1984 (L'HUMANITE of 24 May).

25-27--Rene Andrieu, Central Committee member, represented the PCF at the 20th congress of the Communist Party of Finland, in Helsinki.

25-27--Henri Cota, Central Committee member, represented the PCF at the congress of the Unified Socialist Party of West Berlin (SEW).

June

3--During the reception held at the Chinese Embassy on the occasion of his visit to France, PRC Premier Zhao Ziyang talked with Maxime Gremetz, who gave him a letter from Georges Marchais.

6--Maxime Gremetz represented the PCF at the demonstration organized in the Somme by various antiracist organizations opposing the visit of the South African prime minister to the area. He made a statement on the occasion describing the visit as inappropriate (L'HUMANITE of 7 June). The Committee for Defense of Freedoms and Rights of Man in France and in the World, chaired by Georges Marchais, condemned this visit.

7--At the initiative of the Lebanese National Salvation Front and the Amal Movement, a meeting was held in Paris which received the support of the various French and Arab democratic organizations. Jacques Fath, collaborator of the Central Committee, represented the PCF.

x 11--As soon as the news of the death of Enrico Berlinguer, the Italian Communist Party (PCI) secretary general was learned, Georges Marchais sent a message to the PCI Central Committee. He also attended the funeral in Rome, accompanied by Maxime Gremetz and Rene Piquet.

19--Capt Blaise Compaore, minister of state to the Presidency of Upper Volta, visiting France, was received at the PCF headquarters by Jacques Denis, Central Committee member, and Roger Truman, collaborator.

21--Georges Marchais received Commander of the Revolution Bayardo Arce, of the national leadership of the Sandinist National Liberation Front (FSLN) of

Nicaragua. Jose Passos Maruan, deputy chief of the department of international relations of the FSLN, Maxime Gremetz for the PCF, and Georges Fournial, collaborator, participated in the meeting.

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CSO: 3519/454

ANTIMILITARISTS, ECOLOGISTS, PACIFISTS AGAINST SUPER-PHOENIX

Paris LIBERATION in French 4-5 Aug 84 p 5

[Article by Robert Marmoz: "Anti-Nukes: The Ghosts of Malville"]

[Text] For the first time since the serious incidents in 1977, antinukes are organizing a weekend of protest against the startup of the Malville power plant in 1985. Malville will also be used for military purposes, at least according to its opponents who have again enlisted antimilitarists and pacifists for the occasion.

Malville 77--Malville 84. Seven years have passed since the last big protest against the Super-Phoenix nuclear power plant. Silence has fallen since then after the violent confrontations between antinukes and the police force, after about a dozen casualties, some of them serious, and especially after the death of Vitalmichalon. The movement opposing the largest nuclear power plant being built in Europe has long been silenced, as if stricken down by the outburst of violence that had traumatized protesters and local public opinion alike. For the first time since the summer of '77, this weekend opponents of Malville are again calling out their sympathizers to protest against the plant. But, and it is all a symbol, the organizers will have taken care to put the Rhone between the protesters and the concrete blocks of the power plant. The stake in the rekindling of the campaign against Malville is to erase the 1977 syndrome.

Tenseness will not be fashionable this weekend when the organizers have set their hopes fairly low: 5,000 protesters are expected. It is because things have changed since the time the walls in the region were scribbled with slogans: "100,000 All Summer at Malville!" Neither the assemblies, nor rockets fired against the plant wall in January 1982 made the EDF [French Electricity Company] officials back down. Super-Phoenix is now entering its final phase with the placement of its reactor in sodium. However, it is only in the fall of 1985 that the Super-Phoenix will go on line and the plant will be able to produce its full power of 1,300 megawatts. Yet, everything has not been easy for the NERSA [Fast Neutrons, Inc.] leaders, EDF's major construction contractor. Delays have built up: strikes, and particularly technical problems. "The Malville breeder reactor should start operation 4 years behind schedule," say the organizers today who find in these successive delays a confirmation of their analysis. "EDF always said it had mastered the technology. It is likely

that they were already quite mistaken or were lying." Today, since there is no longer opposition to the construction of the power plant, the antinukes are working to stop the startup of the breeder reactor. Their argument, of course, is based on the reliability of the system. "How can one be sure of controlling 3,300 km of wires and 1.2 million connections where the slightest failure could have catastrophic consequences? Not to mention that an effective method of fighting sodium fire is not known. Yet, the cooling circuits of the reactor vessel are supplied by liquid sodium." But the militants in the "campaign to stop Malville" do not stop at the problem of safety. They are raising the question of the usefulness of the breeder reactor: "Is it really rational to run such risks in launching this new electricity production when a recent government report shows that in 1990 production of 390 billion kWh will exceed consumer demand by 15 percent?" It is this point that the nuclear movement has gone further in its analyses by affirming that, contrary to what successive administrations had said, Malville could in fact be used for military purposes. Super-Phoenix will in fact produce 150 to 300 kg of plutonium annually, plutonium that, properly treated, could be used to supply the production of nuclear weapons systems or the assembly line production of neutron bombs. While EDF and the military are denying this possible use, certain generals, such as General Thiry (in charge of testing at Mururoa), quoted by the organizers, declared in 1978: "France knows how to make all models and all strengths of atomic weapons. For relatively low costs, we could build them as soon as the breeder reactors supply the required plutonium in abundance."

Such prospects, therefore, have made possible the coalition this weekend of antinukes, antimilitarists, the Greens, who will be holding their summer meeting in the region at the same time as pacifists, some unions and political organizers from the extreme Left. The success of the weekend, during which there will be an alternation of parades, seminars, debates and activities, will make it possible to determine whether this is a valiant last stand for the ecologists or a second breath for the antinuclear movement.

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CSO: 3519/455

BRIEFS

PACIFIST DELEGATION TO CHINA--Responding to an invitation from the Chinese Association for Friendship Among Nations, a delegation of the Hundred Appeal will go to China at the end of August. It will be composed of Professor Albert Jacquart, Claude Pieplu and Georges Seguy. At that time the representatives of the Appeal of the Hundred will inform their Chinese counterparts about the conditions under which activities for peace and disarmament are taking place in France, specifically with the prospect of the 28 October peace march. They will learn about various activities through which the Chinese people express their desires for peace and friendship among nations and will report on their trip when they return to Paris. The Appeal of the Hundred is pleased with this meeting, which is contributing to strengthen relations and cooperation between the pacifist forces of the two nations. /Text/ /Paris L'HUMANITE in French 2 Aug 84 p 3/ 9969

CSO: 3519/455

POLL FINDS SOLID SUPPORT FOR NATO, KEFLAVIK BASE

Reykjavik MORGUNBLADID in Icelandic 5 Jul 84 pp 24-25

[Article: "Extensive Poll on the Views of Icelandic Voters on Security and Foreign Affairs: Majority of Voters Support the Atlantic Alliance"]

[Text] The Majority Feels That Atlantic Alliance Must not Fall Behind Warsaw Pact Militarily

Yesterday, the Security Review Committee published a paper titled the "Views of Icelanders on Security and Foreign Affairs" by Olafur T. Hardarson, political science lecturer at the University of Iceland. This paper contains the conclusions of a study of the views of Icelandic voters on the membership of Iceland in the Atlantic Alliance; on the Defense Force; on charging the Defense force a fee; on nuclear-free zones in the Nordic countries; on peace movements and other factors in security and foreign affairs. This paper is a portion of a more extensive study by the author on the positions on political parties and on various political factors which he calls "Election Study, 1983" and it states in the news release from the Security Review Committee that this is the first theoretical study that yields information on the position of Icelandic voters on security and foreign affairs.

The collection of information began after the parliamentary elections last year and the study was prepared during the winter before and the list of questions was compiled and pretested. There were 29 pollsters in all and Gunnar Helgi Kristinsson, political scientist, assisted Olafur T. Hardarson in the designing and implementation of the poll. The total number of participants was 1,003 voters and about a third of them was interviewed directly but others responded by mail or by telephone. The sample was picked from the National Registry by the University Computer Center by a so-called random method.

All participants were asked three questions. One was about their position on the Atlantic Alliance; the second about their position on the Defense

Force and the third about charging the Defense Force a fee. In addition, 329 people in the metropolitan area were asked about the importance of the Keflavik Base; about their evaluation on the policy of the political parties in security and foreign affairs; about what part of the world Iceland has most in common; about whether the probabilities of war have increased; about nuclear-free zones in the Nordic countries; about their position on peace movements, aid to the developing countries, armament and military defense in Iceland.

Overwhelming Majority Supports Atlantic Alliance

The question about the Atlantic Alliance was: "Many people feel that Iceland should remain a member of the Atlantic Alliance while others feel that Iceland should withdraw its membership. What is your opinion?" Of the 1,003 people polled, 24 refused to answer but of those who answered, 53 percent were in favor of the membership, 13 percent were against and 34 percent had no opinion. If only those who took a position are used as a base of reference, 80 percent are in favor of membership and 20 percent against.

The author says that it is interesting that a third of the people polled have no opinion on this matter but thinks it possible that the format of the question may have something to do with it. More women than men, or almost half of the women, said they had no opinion on the membership in the Atlantic Alliance.

The age and educational background of the people polled does not seem to have much effect on their position on the alliance. However, voters in the age group 24-29 are more opposed to the membership than others and the opposition is also greater among those who have higher education. The overwhelming majority of voters of four political parties is in favor of membership in the Atlantic Alliance if only those who took a position are counted. Almost all Independence Party [IP] voters support the membership and 85-90 percent of the voters of the Social Democratic [SDP] voters, the Progressive Party [PP] and the Social Democratic Alliance [SDA] are also in favor of membership. A great majority of the People's Alliance [PA] voters are against membership but it is interesting to note that if only those who took a position are counted--as above--slightly less than one-fourth (23 percent) of the party voters claim to be in favor of the Atlantic Alliance membership. Of the Women's List [WL] voters who took a position, 54 percent are in favor of the Atlantic Alliance and 46 percent against.

Great Support of Defense Force

The question regarding the voters' position on the Defense Force was in several parts and four persons refused to answer and 29 said "don't know." Of those who answered, 23 percent said they were "categorically in favor of the Defense Force;" 31 percent said their position was "rather favorable;" 15 percent said that the Defense Force "makes no difference;" 15 percent said they were "rather against" and 15 percent said they were "definitely against." If the group that thinks that the Defense Force makes no

difference is not counted, 64 percent of the voters prove to be in favor of the Defense force and 36 percent against.

The opposition to the Defense Force is considerably greater than to the membership in the Atlantic Alliance and the author says that it is obvious "that a considerable portion of the voters consider this to be two different issues." The difference in position on the Defense Force is immaterial between men and women; however, the opposition to the Defense Force is slightly greater among those who are younger and those who have a higher educational background.

Almost all IP voters are in favor of the Defense Force (93 percent) and almost all PA voters are against it (93 percent). The voters of other parties, however, differ in their opinion on this matter. If only those who are in favor of the Defense Force or against it are counted, it appears that 71 percent of SDP voters are in favor of the Defense Force; 62 percent of the SDA voters; 59 percent of PP voters and 23 percent of the WL voters.

Charging Defense Force a Fee Well Received

The third question asked of all the people polled was in the form of a statement they had to take a position on. The statement was: "Icelanders should accept a fee for the U.S. Defense Force in the country." Of the 1,003 people polled, 3.7 percent said "don't know" and 0.8 percent refused to answer. Almost half, or 49 percent, said they "completely agreed" with the statement; 14 percent "rather in agreement;" 9 percent had "mixed feelings;" 7 percent "rather disagreed and 22 percent "totally disagreed." This indicates that among approximately 2/3 of the voters, charging the Defense Force is considered favorably.

The opposition to this charging is much greater among the opponents of the Atlantic Alliance than others. However, a third of the opponents of the alliance is in favor of charging a fee. There is a great variance in the position on this issue among people, depending on their political interest and education. Those who are very interested in politics are much more against charging a fee than those who are not very interested in politics. Correspondingly, the opposition to charging is much greater among those with a higher educational background. Almost 60 percent of those who have a college degree are opposed to charging. However, the position on charging does not vary much according to age and gender.

If the political parties are used as a base of reference, 69 percent of the SDS voters favor charging the Defense Force as do 67 percent of the PP voters; 67 percent of the IP voters; 45 percent of the PA voters; 59 percent of the SDA voters and 44 percent of the WL voters.

Inflation Issue More Important Than Disputes About Defense Force

As mentioned above, several questions about security and foreign affairs were also asked of 329 voters in the Reykjavik area. The author states that

because the participants are so few, the margin of error is higher than in the poll that included the whole country, and for example, it is also risky to group the people polled according to what party they voted for in the 1983 parliamentary elections as was done here.

The first question of this part of the poll was about the voters' position on how important an issue the Keflavik Base was in comparison with issues connected with the relationship between state and the labor movements, regional policy and inflation. Thirty percent of the voters said that the "base issue was extremely important;" 51 percent said rather important;" 8 percent "not very important" and 12 percent said it made no difference. For comparison it can be mentioned that 50 percent said the inflation was an "extremely important issue" and 46 percent said it was "rather important."

The respondents were very much in agreement that Icelanders had most in common with the Nordic countries when they were asked to decide between five parts of the world. An overwhelming majority also agreed that Western Europe was the next on the list and North America was number three on the list. The responders said that Icelanders had least in common with Eastern Europe and the small nations of the Third World.

Support for Nordic Nuclear-Free Zone

A little over a third of the people polled said that the probabilities of war had increased during the last 4-5 years but the majority felt that they had changed very little. Women felt to a much higher degree than men that the danger of war had increased and half of them had that opinion.

The position on a Nordic nuclear-free zone was asked and 86 percent of the people polled supported that. Opposition to the statement was most pronounced among men "who support the membership to the Atlantic Alliance; who favor the Keflavik Base and 'right-wingers,'" as it is phrased in the paper.

Opinions vary on the statement that peace movements such as those that have emerged in the U.S. and Europe are a step in the right direction. About two-thirds of the people polled disagreed but the others "rather disagreed" and "completely disagreed" with the statement. The support of the peace movements was considerably greater among women than men. There was a clear difference between the supporters and opponents of the Atlantic Alliance; almost all opponents of the Alliance agreed with the statement, but roughly half of them support the membership. Of those who claimed to be leftists, 92 percent agreed with the statement as did 50 percent of those who claimed to be rightists.

Almost half of the people polled (46 percent) wanted Iceland to greatly increase aid to the developing countries but 36 percent were against it. Women and opponents of the Atlantic Alliance were more in favor of increased aid than men and supporters of the Alliance. Also, leftists were greater supporters of aid to the developing countries (63 percent) than those who claimed to be rightists (39 percent).

Atlantic Alliance Not To Lag Behind Warsaw Pact

Moreover, the participants were asked to take a position on the following statements: "The Atlantic Alliance must not lag behind the Warsaw Pact militarily if peace is to be secured." Almost half, or 46 percent, "totally agreed" and 25 percent of those polled "rather agreed;" 12 percent were "ambivalent;" 7 percent "rather disagreed" with the statement and 10 percent "totally disagreed" with the statement. This means that 70 percent of the voters agree that the Atlantic Alliance must not lag behind the Warsaw Pact militarily. There is not a great difference in the position taken by men and women on this issue, but the younger people and those who have a higher educational background disagreed with the statement to a greater degree than the others.

The number of people who agreed (45 percent) and the number of people who disagreed (43 percent) with the statement that it was necessary for Iceland to have some kind of military defense in the country was similar. Almost all of the opponents of the Atlantic Alliance disagreed with the statement as did 16 percent of those who were in favor of the base in Keflavik, and one-fourth of those who support membership in the Atlantic Alliance.

Lecturer Olafur T. Hardarson says in the conclusion of his paper: "The results of this study are clear. The majority of Icelandic voters supports two main factors of the foreign policy that have been pursued by Iceland during the recent decades: the membership on the Atlantic Alliance and the Keflavik Base. In the mind of many people, however, these two issues are not closely connected--and there is some difference in the attitude of voters to these issues...It is also clear that the majority of people in the metropolitan area feels that NATO must not fall behind the Warsaw Pact militarily if peace is to be ensured."

Hardarson points out, however, that even though the voters' support of the main factors of the traditional foreign policy is clear, other views do perhaps "contradict it somewhat" and he refers to the great support of charging the Defense Force a fee, nuclear-free zone in the Nordic countries and peace movements. Hardarson also points out that there is a considerably greater opposition to the statement about the necessity of military defense in Iceland than against the Keflavik Base.

The paper is 81 pages and copies are available in bookstores as well as in the Security Review Committee Office, Laugaveg 170.

POSITION OF ICELANDERS ON CONTINUED MEMBERSHIP OF ICELAND IN THE ATLANTIC ALLIANCE

In favor	53 percent
Against	13 percent
No opinion	34 percent
Total	100 percent

Of those who took a position:

In favor	80 percent
Against	20 percent

POSITION OF ICELANDERS ON THE KEFLAVIK BASE:

Strongly in favor	23 percent
Rather favorable	31 percent
Makes no difference	15 percent
Rather opposed	15 percent
Strongly opposed	15 percent
Total	99 percent

Of those who are in favor or against the base:

In favor	64 percent
Against	36 percent

POSITION OF ICELANDERS ON CHARGING THE DEFENSE FORCE A FEE:

Totally agree	49 percent
Rather agree	14 percent
Mixed feelings	9 percent
Rather disagree	7 percent
Totally disagree	22 percent
Total	101 percent

9583

CSO: 3626/28

GROWING POWER OF SOVIETS IN NORTH HAS IMPACT ON ICELAND

Reykjavik MORGUNBLADID in Icelandic 1 Jul 84 p 24

[Editorial: "Not Wanting to Offend the Russians"]

[Text] It is unnecessary to elaborate on the positions of the Finns toward the Soviets. Their scope of activities in foreign affairs is limited and direct Soviet interference in internal affairs is not an unknown phenomenon. That is why it is called "Finlandization" when talking about Soviet attempts to achieve decisive influence on the foreign policy of countries that are not directly under their thumb. In recent years, alert people in the Nordic countries have been increasingly concerned that the Soviet Union is planning to get the same hold on Norway and Sweden. Insolvent activities by Soviet submarines in Swedish territorial waters are an example of this; rude behavior by the Soviet foreign minister to the Swedish prime minister earlier this year is another example. Extensive Soviet military preparations in the vicinity of northern Norway; the toughness of the Soviets in their relations with Norway over the resources in the Barents Sea and their espionage activities in Norway, with Treholt at the helm, tell the same story with respect to Norway.

Arnor Hannibalsson discusses this perspective in a noteworthy article in MORGUNBLADID yesterday which should definitely be called to the attention of the readers. The author of the article is thoroughly familiar with the Soviet way of thinking as he lived in the Soviet Union for a long time while studying, about 25 years ago or so. When referring to the Soviet submarine traffic off Sweden and Norway, Arnor Hannibalsson says, among other things, in his article:

"What is the purpose of the Soviet government in doing this? It is to get the Scandinavians used to the Soviet presence. And that has been successful. Now the Swedes have started saying (and writing in the newspapers) that the submarines do no harm to anyone. Our ships keep sailing and life goes on as usual--they say. Then why worry if submarines from the Red Fleet frequently remain within Swedish territorial waters." Hannibalsson then says that in the Western countries people often measure the strength of a country in nuclear warheads and then say: "The Soviets think differently. They know full well that the battle will not be decided by the bomb and explosive arsenals but first and foremost by the desire to defend oneself... As soon

as the Soviet Government feels that its pressure tactics are given into, it puts on still more pressure and thus step by step it gets closer to its goal: that the free nations relinquish their freedom and choose to follow Soviet directions rather than risking standing firm on their own convictions. But if the Soviet Government feels any resistance, it takes one step backwards and looks for a weak point where it can take two steps forward."

In his article, Hannibalsson refers to peace movements in Europe and says: "Before World War II there were many people in Europe who said: 'Never offend Hitler--he could take us.' Of course Hitler took those who did not want to offend him as he pleased and whenever it suited him. Now there are mass movements afoot in Europe that are based on the same way of thinking. It goes well with the Swedish foreign policy. People think they can secure peace by honoring the terrorist--and perhaps freedom too. O, sancta simplicitas!"

Hannibalsson says: "The peace movement people are therefore very useful. The advantage is that they are not controlled from Moscow. But they promote Soviet interests better than many communist parties. The Progressive and Democrats are well-liked as long as they swallow the bait and try to weaken their countries' defense power and desire to preserve freedom."

These strong and effective words of warning from Arnor Hannibalsson have great meaning for us Icelanders. There are many people who should consider these words carefully--not least those who have relations with the Soviets and have a tendency not to want to "offend the Russians."

9583

CSO: 3626/28

PRESIDENTIAL ELECTIONS SHOULD FOCUS ON POLITICAL SYSTEM

Lisbon A TARDE in Portuguese 31 Jul 84 pp 1-2

[Editorial by Margarida Borges de Carvalho: "Socialism and the Presidential Elections"]

[Text] The political debate that is developing around the presidential elections has palmed off the issues and is leading the country into a useless and arid discussion about personalities, popularity and party or group games without correlation with the basic issues that blot our collective life.

The qualities of the persons are being debated and not the ideas they advocate. Civilian or military candidates are preferred and not what each civilian or military "presidential hopeful" represents in terms of proposal and plan.

Portugal is a socialist country. No matter how much that condition is masked over with political liberalism, there is no doubt that the latter serves to cloak the former and that that condition is the cause of the major outlines of our misfortune.

The socialist state took over the nation: control of all key areas of the economy and finances, the almost total preponderance of education, teaching, culture, information, health, welfare, stifling bureaucracy, fiscal tyranny, all are striking characteristics of a socialist state and profound cause of social stagnation, of economic degeneration, of general distrust, of the weakness of the state, of the demoralization of the nation.

Perhaps the majority of the citizens has not yet understood the true nature of the evils that afflict us. The Estado Novo in its own way was already socialistic and it got us deeply accustomed to the tentacular state. The Third Republic ended up by exponentially prolonging and aggravating the evils inherited from interventionism and welfarism without understanding that by doing so it mortally endangers what it brought us that is truly positive, estimable and that should be conserved at any cost: freedom.

The Portuguese run the risk of having to choose between socialist candidate Mario Soares, socialist candidate Eanes and socialist candidate Firmino Miguel precisely because, with rare exceptions, the politicians seem to be more interested in implanting the socialist system--diverting attention to the choice of personalities--rather than in contesting it, seeking whoever can embody that struggle and serve it in a strategically valid manner.

The Communist Party (CP), the Socialist Party (PS), the Cnarpists, are all socialists. In the Social Democratic Party (PSD), there appears to be the possibility of those who prefer a presidential central bloc predominating. The Socialist Democratic Center Party (CDS) drops Freitas do Amaral and leans toward a candidate at least as gray as Eanes was years back.

Portugal is living stifled in the constitutional obligation of socialism and in the accommodation to the system by the general run of politicians who prefer to administer it rather than to contest it.

It seems that nobody wants to understand the crying need to separate socialism from democracy so that the fall of the former (which one day will be inevitable and resounding) will not drag down the latter with it.

Sa Carneiro and the Democratic Alliance (AD) of Sa Carneiro contested socialism. He understood that it was necessary to go very far politically to do so. That continues to be the case. The constitutional revision was the one the PS wanted. For that reason, socialism was not touched.

It is necessary for someone today to have the courage of Sa Carneiro, perhaps in other terms, identifying himself with the liberating objectives of a paralyzed society.

Thus, the discussion about the presidential hopefuls would have a *raison d'être*. Otherwise, it will be a shabby and meaningless brawl.

8711

CSO: 3542/102

JARDIM INTERVIEWED: NEW FORCES, PEOPLE NEEDED

Lisbon SEMANARIO in Portuguese 28 Jul 84 p 16

[Interview with Alberto Joao Jardim, president of the Regional Government of Madeira; in Madeira, date not given]

[Text] Alberto Joao Jardim, president of the Regional Government of Madeira; a resounding political career which he considers "a lucky stroke of the revolution." In 6 years, he has changed the landscape of Madeira, with a dynamism that today grants it rates of progress higher than the average in the continent. It is politics like war, or rather, like guerrilla action, launching rapid and accurate strikes against the excesses, the errors and the dysfunctions of the system and the political class. He is the populist, the irreverent one, the artilleryman of the spoken word which he hurls at the target like explosive shells.

He speaks to us about the political crisis, the failure of the system and the political class, the change required, what to do until 1985, and about a Radical Alliance that will prepare the foundation of a new system.

[Question] For those who see you on the political chessboard, you are a bellicose pawn hurled against enemy rooks, wanting to clean up the chessboard with the artillery of iconoclastic speech. How do you describe your style.

[Answer] Life, as in politics, is always to win and never to lose. Because it is always a battle. I have Clausewitz' concept of politics, that it is the continuation of war by other means, with other weapons. For me, this is a temperamental question. And it has to be a war to the end. I do not desist until the enemy has been defeated, and I never do anything that can benefit the main enemy. When I hear the communists talking about the "massification of sport" I become diametrically opposed because I call that the demobilization of the generations. Because the demobilization of the generations means not preparing them to compete, to gamble, to win, and the societies that get ahead are those that compete, gamble and win.

[Question] Forget about the communists, who are a case of endemic mummification. Does that impulse exist among the political class?

[Answer] Obviously not. In my opinion it is almost entirely composed of mediocre people. They have nothing to do with me, with my way of being, in life and in politics, with my taste and my joy of life. In the majority, they are losers, they are bad, they are office ecologists. Deep down, every politician is a Narcissus, but their narcissism is the kind that is satisfied exclusively by the applause received from groups of friends, or neighbors in the party circle. Here is what concerns them: not being attacked by those who make public opinion, by the media. It is the small universe of politics and the universe of small politics. They became mummified in their narcissism. Whereas mine, populist if you want to call it, does not run that risk. It is open to the popular dimension, it is constantly nurtured by the acknowledgment by the masses of the responses to their wishes and needs. That is where the difference lies.

[Question] But are there healthy branches in that decayed trunk...?

[Answer] Yes, of course there are exceptions, capable people within the parties. There are currents, tendencies, and regenerating attempts are beginning to emerge in the parties. It is strange to see that this is happening more in the Social Democratic Center Party (CDS) and the Social Democratic Party (PSD) than in the Socialist Party (PS); perhaps because today the PS is the party in which the image of the leader is most asserted.

[Question] It can't be only the leader, it is the problem of the left....

[Answer] That is their situation; the Portuguese left has ceased to have a message for Portugal. It proved to be incompetent; it is doomed to sink under the weight of the suicidal myths. If people have still voted for it, it is still by complex and prejudice. That is why I support the current government stability so that that stability will cause even greater deterioration and disillusionment, a psychological state of definitive and radical change so that a new Portugal may be built on the structure of new parties. The new parties that I see in Portugal are the CDS and the PSD...

[Question] So you are a supporter of "the worse the better" ...?

[Answer] I am, in the immediate term, until the presidential elections. Because that failure of the left has to be felt in the flesh in order to have a change; it has to be felt with desperation. To have change, it is necessary to dispel the myths of the left: the myth of the welfare state, the myth of nationalization, the myth of socialism. Observe that years and years of the intoxication of public opinion by certain mass media left traces that take long to expunge. Demonstration in the flesh is a good psychological argument. With all that, I am referring to the opportunity of democracy. And the big question is "timing". If the new forces delay in taking the qualitative leap, delay in launching the challenge to Portuguese society, that is, in relaunching the challenge of Sa Carneiro, but in better conditions, then power runs the risk of falling into the streets or into the hands of the extremists.

[Question] With military tactical precision, when is that certain moment for intervention?

[Answer] It is in 1985, for the presidential elections. That is the decisive moment.

[Answer] And until then, one applauds the government to sustain that stability and waits for the Atlas to crack and the big head of the "central block" to shatter...?

[Answer] Well, I cannot prophesy, nor do I have sufficient knowledge of the terrain, that is, of the political situation on the continent. Only people who are on the spot can know the type of concrete action. But I believe what is necessary first is an action of mobilization of public opinion, ruthless if necessary, which will bring out into the open everything that failed and was responsible for the failure for 10 years. I do not believe it is necessary to have a complex plan; it is necessary to launch four or five ideas, forces, and work them sufficiently into the awareness of the people so that a state of mind favorable for change in 1985 becomes manifest. It is necessary also not to allow the disillusioned, the politicians in this country who believe and can experience this idea of change, become dispersed. It is necessary to begin to talk but not with the vitiated and restrictive rules characteristic of the recent past. It is necessary to conspire democratically, to form a sort of conspiracy against the system without jeopardizing the democratic system.

[Question] And who would have the privilege of sitting at that table, of "Jacobinizing" in those "lodges"?

[Answer] Men from the democratic parties, and I include the PSD, the CDS and the PS, even men not connected with parties, willing to put that plan into effect and to join in a force that I would call the Radical Alliance. Above all, new people, many new faces, not committed to obedience to large economic groups, to internationals, to secret pressure groups such as Freemasonry and Opus Dei, because the state has to be clean and the Radical Alliance must appear to the people completely transparent. A plan led by new people, nationalists if you will. To unite nationalism with boldness.

[Question] But is not what you are proposing a certain renewal of the Democratic Alliance (AD), which also failed?

[Answer] I don't think so and that is why I use the term "radical" because the point of departure is a substantial change of the political rules. The term AD was a forceful term at the time of Sa Carneiro but today it is spent, dead. Freitas do Amaral, Balsemao and Salgueiro and their henchmen took care of burying it. It is strange that they still try to cling to that banner and even in that they prove to be not very adroit politically...

In a certain formal sense, it is a similar plan. Note that it is that renewed plan of Sa Carneiro which the PS is also readying to recover...

[Question] Your timing for 1985 surely implies the presidential election, which will have to be the key to that change of the political order. I believe that in that connection, you declared a short time ago that you would not do anything in Madeira in behalf of a candidate of the system...

[Answer] Yes, yes, in my opinion, according to this logic, the president of the republic has to be a candidate who does not belong to the system. Basically, a man who becomes a candidate with the commitment to make a constitutional change through recourse to a referendum. A candidate of the system is a man who is elected to swear to that constitution once again.

[Question] Is that the possibility you see, of burying that constitution?

[Answer] Only through a referendum. The political class is immobilized in the reactionism of interests, through inertia it is stubbornly opposed to anything new, to challenge. The political class occupied congress; it is its occupation; and change must be the preoccupation of the Portuguese.

[Question] Do you believe that 2 years from now there would be a big enough majority, a popular majority to support that plan?

[Answer] I am convinced of it. In the time of Sa Carneiro, neither the difficulties, nor the desperation or the discredit of the left gave impetus to the realism which is the spring of change. In my view, in the part pertaining to the constitution, Sa Carneiro's plan was too complex.

[Question] When you speak about gathering sectors of the three democratic parties, are you not photocopying the "discourse of consensus" which so many people are preaching and advocating?

[Answer] Of course not, that is why I return to the "radical" spirit of what I am advocating. For example, I do not understand the speech of Mota Amaral when he speaks of the "national consensus" and the "self-criticism of the present political class."

In the first place, because to tell those pitiful people to conduct self-criticism is like preaching to the fishes. In the second place, because it is absurd to expect a new country to emerge from a self-criticism of people with so many accumulated vices. At the most, what will emerge for the country will be more filth...I do not believe that Mota Amaral is convinced of what he said.

Two irredecible concepts of life and the future are at play. One, socialist inspired, atrophying, which in the extreme has the manipulation of Portugal by the Communist Party against NATO and the EEC, etc. The other, developmental, in democracy, which blends the interest and the progress of the country. One cannot marry heaven and hell.

The new constitution has to be extremely simple; it must limit itself to the establishment of basic rights and guarantees, enunciation of the powers of the state, definition of local and regional power, and not much more.

It has to be expunged of everything that is programmatic. It has to be a text that gives the country the capacity for freedom which the country will feel as such. If what that text and the plan it aspires to are explained well to the population, clearly and honestly, and if a candidate to the presidency emerges and leads that objective, I am convinced that the country would join. Popular

response is basically a problem of faith, it is a religious problem. Politics especially when the situations are debased, demand a religious response, demand faith. What is needed now is someone who has the capacity to inspire that faith; what are needed are apostles of change.

[Question] And what of the institutions, the forces of real power? The armed forces, for example...

[Answer] Of all the forces, the armed forces are the ones most identified with the system. In my opinion, they are identified with the system when they seem to act from the principle of total acceptance of the government and the rules of the government whatever they may be. I believe that too great a confusion has been created between individual political subordination and military functional subordination. Strangely, the 25 April Association types are the only ones who escape that conflict. I believe a mobilization in the barracks, as well as in the university, the Church, etc, would be favorable. Not for purposes of insurrection, obviously, but for the purpose of the formation, of the correction of currents of public opinion.

[Question] It seems to me that recently the Church has not refrained from speaking out about certain causes of injustice, of despair, etc, not conspiratorially but in legitimate reaction within the constitutional limits.

[Answer] The ethical-moral discourse of the Catholic Church hierarchy in its dynamics indicates an idea of profound change in Portuguese society. It is necessary that subtle restraints do not arise through any sin of omission.

[Question] Do you believe that within the forces of "real power" the big "dead weight" from the viewpoint of change of the system is the armed forces?

[Answer] They are the most passive element and the one most merged with the current system. It is clear that I am speaking of the non-April sector of the armed forces, "April" in the bad sense of the word, of the revolutionaries of incompetence. In my view, the military decided to or allowed themselves to bear the sins of the recent years of military history, both those committed in the time of the dictatorship and those committed after 25 April. They are men who by military upbringing were deeply wounded by what was happening but who have not yet freed themselves from the "mea culpa" and the act of contrition: they have not shaken off that yoke so as to intervene more expansively in opposition to the 25 April Association, etc...

[Question] You are confident of a national popular reaction of support for a new plan, but how many have not been proposed to the country over the past 10 years? Will the fable of the boy who cried "wolf" not occur in politics? Around which personalities, perhaps much more than discourse, might this confidence arise?

[Answer] Yes, in the political class, many are political skeletons but note that some have also survived since 1974 and there are many who were not destroyed by erosion, by commitments, in whom a reserve of drive, of credibility are concentrated. Of course, I am thinking of an interaction between people,

intentions, and plan within the unity of the Radical Alliance to which I referred. I believe that thus one can think of polarizing popular support. I interpret your question by saying that I believe hope is more moribund but it is not dead. It is the system that is moribund without hope. There has to be another, founded on a new constitution. That, I will not depart from. And here lies the opportunity for democracy.

[Question] Does the resignation presented last Wednesday represent an important political act? What are the reasons of the president of the Regional Government of Madeira for that position?

[Answer] Despite the fact that the law does not oblige me to present the request for resignation in view of the scheduling of regional elections, I believe in doing it for reasons of an ethical nature and political instruction. Furthermore, just as I did in 1980 following the rules of parliamentary systems.

In the meantime, the government continues to operate fully in all of its functions until the elections of 14 October, whether by decision of the minister of the republic or by the concordance of this decision with the constitutional situation because the majority on whose confidence the government depends ends its legislative term only in early November.

8711

CSO: 3542/102

COOPERATION WITH MOZAMBIQUE ON CAHORA BASSA DAM

Lisbon A TARDE in Portuguese 31 Jul 84 pp 1-2

[Text] The expansion of the Cahora-Bassa Dam is being studied by Portugal and Mozambique and the state secretary of the treasury, Antonio de Almeida, declared yesterday at the end of the 2-day meeting of the Portuguese-Mozambican Joint Commission that Portuguese participation in such a project (estimated at 100 million contos) will be viewed in the framework of its profitability. Construction of the second power plant (on the northern bank of the Zambeze) and the question of protection and repair of the present lines on the southern bank were the most central points of the meeting which was held in Necessidades Palace.

Meanwhile, the chief of the Mozambican delegation, Antonio Branco, who is the minister of industry and energy, confirmed that South Africa is supplying the logistic means (while Mozambique is supplying the human resources for the defense of the 700 kilometers of the high-tension lines in Mozambican territory. The minister refused to specify the type of logistic means, pointing out that "that is a military matter." A member of the Mozambican delegation said that "the defense of the line is no longer the most important aspect, what matters now is the development of the project."

Nevertheless, it is known that 23 power transmission poles are on the ground but that almost all of the line is under control, while Mozambique hopes that the activity of the "National Resistance" will not last much longer.

The construction of the Chibate power plant and the request for an energy reserve by Mozambique were other questions taken up at the joint meeting that ended yesterday.

8711

CSO: 3542/102

VREVEN ON MILITIA, MILITARY PROCUREMENT ISSUES

Brussels LA LIBRE BELGIQUE in French 20, 21, 22 Jul 84 p 2

[Interview with Freddy Vreven, Belgian minister of national defense, by R.R.; date and place not given]

[Text] With the parade on 21 July, people are once again talking about the army. The sound of the bugles and drums of the military musicians will not drive away the problems--troop strength, technical and, therefore, budgetary means--besetting the army. Freddy Vreven, minister of national defense, agreed to answer our questions. And this one first of all: How good is the Belgian army now?

[Answer] It is at least as good as those of the other NATO partners, as demonstrated by maneuvers and evaluation tests.

[Question] However, personnel staffing questions have been asked particularly in consideration of the imminent retirement of 3,000 short-term career volunteers?

[Answer] Social justice does not accept that only one-fourth of Belgian youths have to perform service. Therefore, service should be rendered by all of them, including young women, but not necessarily in the army. In order to become a policeman, customs officer or gendarme, why should not the candidate have completed military service? But all of that falls within the purview of Public Service and Interior. Studies have to be conducted; militia laws have to be modified eventually. A general consensus should be obtained. That is why in September Mr Nothomb and I are going to meet with the senatorial committees of Interior and Defense.

[Question] To replace the short-term volunteers, the government plans to offer militiamen the opportunity of extending their military service by 3 months, a period equal to the 150 days waiting period for the granting of unemployment benefits. However, according to polls taken at the Recruitment and Selection Center, it appears that only 18 militiamen out of 1,000 have expressed interest in this plan.

[Answer] That is because the plan obviously has not been finalized. The militiaman has to have assurance--which is not now the case--of specific financial status for the 3 additional months.

[Question] Therefore, in order for a man to become a gendarme it would be necessary for him to have completed his military service, which has not been the case for 15 years?

[Answer] Preferably military service "like everyone else." First, because of the training of the future gendarmes, their contacts with other young people, the preselection process involved in such service before joining the gendarmerie. In the end, that would give us in Defense 400 militiamen per year! But I have to see to it that enlistments in the gendarmerie are sufficient.

[Question] You complain of a lack of militiamen, but there are overages in some units, particularly in Flanders and Campine?

[Answer] This problem is being resolved. It involves unforeseen family or social situations which could justify an assignment in Belgium. To be certain that his situation will be taken care of, a militiaman calls upon his deputy. The situation of the interested party is then assessed from two different viewpoints: by the cabinet and by the military hierarchy. You should also know that for a great part of the two Flanders, with a population over 1 million inhabitants, there are only two military garrisons up to strength. Gand and Gabere, with a total of 103 militiamen out of the 20,000 militiamen stationed in Belgium.

[Question] Let us turn to the subject of materiel! We are familiar with the 10-year plan the airmobile plan in particular, that is the purchase of 48 helicopters. Do you think the negotiations for jeeps will be just as difficult?"

[Answer] I think the negotiations will be easier, provided there is prior distribution of community rebates on payments.

[Question] Some are saying that the purchase of Volkswagen "Bombardier" jeeps rather than Mercedes jeeps will have the effect of increasing National Defense expenditures by \$100 million?

[Answer] How should I answer that question? Such figures cannot be verified until after the final calculations, as certain factors could impact on the rebate formula.

[Question] Were you upset to learn that after this jeep affair the young PSC [Christian Social Party] [deputies] in particular called for your resignation?

[Answer] This is not the first time the resignation of a minister has been called for. At the time, my principal problem was the fact that SP deputy Wijninckx questioned the Prime Minister about a statement I had made on BRT [expansion unknown]... But the remarks I am alleged to have made did not correspond with the text which was radiobroadcast.

A number of other problems were examined with the minister, notably the question of "Patriot" antiaircraft missiles. This will be discussed next

month in the United States. On another subject, in 1985 \$900 million (out of a \$6-billion program spread over 10 years) will be spent by the ground forces, and first and foremost the infantry, to purchase caliber 5.56 mm FN light arms to replace caliber 7.62 mm arms, which are 25 years old. The result will be lesser cost, less weight and size, simplified logistic support, greater volume of fire and greater penetration power.

The minister is also undertaking negotiations with the Netherlands with a view to having that country's F16 pilots trained in Belgium instead of the United States, which would be advantageous to both countries.

8143

CSO: 3619/81

DETAILS OF 1984 DEFENSE BUDGET GIVEN

Brussels VOX in French 7 Jun 84 pp 4-6

[Text] The budget requested for 1984 is 99,031.6 million francs, plus 740 million in special appropriations granted under the national investment program (industrial selectivity and a supplementary program).

In comparison with appropriations for 1983, i.e., 93,768.4 million francs, the appropriations requested for 1984 represent a 5.59 percent increase.

In view of the estimated 6.3 percent increase in consumer prices in 1984, the national defense budget has been reduced by 0.65 percent in real terms in comparison with 1983.

Since the Belgian government budget went from 1,700 billion in 1983 to 1,798 billion in 1984, for a 5.76 percent increase, we can deduce that the Defense Ministry has made a considerable effort to limit its budget.

The national defense budget can be broken down into three main sections:

- personnel expenditures, which amount to 48,759.2 million francs in 1984, or 48.87 percent of the total;
- operating expenditures, which account for 26,274.2 million francs in 1984, or 26.34 percent of the total;
- re-equipping and infrastructure expenditures, which account for 24,738.2 million francs in 1984, for 24.79 percent of the total.

These data are illustrated in graph 1. Graph 2 shows a breakdown of these expenses by recipient. Personnel expenditures cover all expenses related to salaries of active military personnel (40,967 million francs), civilian personnel (3,289.5 million francs), and militiamen (1,071.3 million francs). This section also includes the appropriations needed for the reservists (168.2 million francs), all types of allowances (such as those for sea-going personnel and parachutists, week-end and prolonged tour-of-duty bonuses, etc.) totalling 1,388.9 million francs, and all types of benefits (free meals and clothing of militiamen, and clothing for regular soldiers), for a total of 1,858.5 million francs.

The breakdown of appropriations by type of expenditure is shown in graph 3.

Operating expenditures amount to 26,274.2 million francs for 1984, i.e., an increase of 4.89 percent over 1983. These expenses are broken down into six categories:

- The administrative and domestic category accounts for 10,756.2 million francs. This group includes overhead expenses, such as rental and maintenance of military facilities and buildings, domestic energy costs, telephone, water and communications.

Finally, the cost of data processing, the remuneration for MOC personnel and overseas allowances must be added to this category.

- The transportation category includes use of military vehicles, rental of civilian means of transportation and use of public transport in Belgium and the FRG, except for transportation costs involved in training and exercises related to the Armed Forces operating needs.

This category accounts for a total of 1,609.4 million francs.

- The training category covers both individual instruction and training in foreign educational centers for highly-qualified personnel. This category needs appropriations of 1,898.7 million francs for 1984.

- The category of operating expenses for the units covers all the activities linked directly to operating missions of the units and requires 7,684.7 million francs. These appropriations will make it possible to conduct the following operations: 22.6 days standard training for the Army (i.e., 50.22 percent of the Joint Commission's norm), 118 hours of staff flight time, 1.16 pilot plane for the Air Force (i.e., 50.69 percent of the Joint Commission's norm), and 83 days of navigation for one-third of the Navy's fleet (i.e., 66.66 percent of the Joint Commission's norm) [as published].

- The category for renovation of supplies and equipment requires 2,208.8 million francs and is designed to maintain the quantitative and qualitative level of equipment linked to operations.

- The miscellaneous category mainly covers financing our participation in inter-allied agencies and regimental headquarters (for 832 million), subsidies granted to parastate agencies and to the ASBL [Non-Profit Organization] (for 230.8 million), compensation owed to the SNCB [Belgian National Railroads] (144.7 million), indemnities to third parties (178.4 million), scientific research (37.2 million), and, finally, technical assistance to Zaire and Rwanda (513.1 million).

The total amount of this category is therefore 2,116.9 million francs.

Re-equipping and infrastructure expenditures amount to 23,998.2 million, to which are added the 740 million in special appropriations which we referred to in the beginning of this article. This amount represents an increase of 7.6 percent over 1983.

The projected appropriations can be broken down as follows:

-- 18,533.6 million for major programs, including:

8,843.6 million for the Army

5,558 million for the Air Force

1,786 million for the Navy

94 million for the medical Service

2,252 million for Interforce.

1,979.4 million for current programs involving the purchase of equipment related to major weapons systems

1,494 million estimated for national infrastructure programs in Belgium and the FRG

2,211 million for international infrastructure programs (including AWACS infrastructure)

520.2 million for miscellaneous expenses, including 500 million for improving land belonging to the state and 20.2 million in recoverable advances to OCASC

The 1984 national defense budget, as in 1983 is affected by economic crisis, which entails cuts in government spending. Its growth, which is negative in real terms, means that the various forces will have to reduce their activities, while continuing with the necessary modernization of their equipment so as to safeguard the future.

9805

CSO: 3619/76

MILITARY PROMOTIONS; COURSE ON STRATEGY

Lisbon A TARDE in Portuguese 31 Jul 84 p 3

[Text] The Superior National Defense Council yesterday confirmed the appointment of General Antonio Silva Cardoso as director of the Air Force Institute of Advanced Studies. General Silva Cardoso was commander-in-chief of the armed forces in the Azores before being proposed for the aforementioned position.

At its meeting yesterday, the Superior National Defense Council also promoted to the rank of brigadier, Air Force Colonels Mario Cortesao, Santos Mesquita, Fortes Monteiro and Henrique Singer.

The status of armed forces civilian personnel was also taken up in the context of a presentation by the minister of defense which embraced the question of unionization. The status of the armed forces civilian personnel will be taken up again at the next meeting of the Superior National Defense Council scheduled for 28 September.

Strategy

The need for greater cohesion among the member countries of the Atlantic Alliance was the main conclusion of the first summer course on strategy and international relations which ended yesterday in Ofir.

Organized by the Amaro da Costa Democracy and Freedom Institute, the course was also sponsored by the Catholic University of Oporto.

In a document released at the end of the meeting, the participants recognized the need to increase the political unity of Europe, "starting with greater economic cohesion which may contribute to reducing the divergence between the rich countries of the north and the mediterranean countries.

"The aim of this measure," continues the document, "is to reduce the social tensions between countries and to strengthen the southern flank."

The need to define a new common strategic concept, especially in regard to the policy of the use of conventional and nuclear means was another of the conclusions of the meeting to which we have referred.

Alluding to a geopolitical rapprochement with Africa, the participants stressed that "the fragility of their regimes" is a detail that brings into question the internationalization of the conflicts on the continent.

Finally, the participants at this meeting promoted by the Amaro da Costa Democracy and Freedom Institute and the Catholic University of Oporto supported the need for the development of a policy of correct and timely information by all the member states of NATO "so that public opinion will know and understand defense problems."

8711

CSO: 3542/102

ASSESSMENT OF COMBAT READINESS IN LIGHT OF MILITARY REFORM

Madrid DIARIO 16 in Spanish 1 Aug 84 p 2

[Article by Fernando de Salas: "An Important Aspect of Military Reform"]

[Excerpt] Military Command

At the beginning of this year the organic law of January 1984 was published, which introduces a number of substantive modifications to the previous 1980 law, and whose finality is not precisely defined in the measure because it lacks an explanatory preface, but which can be inferred from statements made to the press by the defense minister, and especially from those expressed in Congress, reported in the official record of 29 November 1983. These statements make it clear that the chain of military command is not direct from his majesty the king to the Joint Chiefs of Staff, but that it passes through the prime minister and the minister of defense. The royal decree of 25 January 1984, reorganizing the Ministry of Defense, is to date the latest reform measure affecting the top levels.

Since 1980, the important question of commanding and carrying out military operations has been definitely settled: the making of war is the responsibility of the prime minister (the political authority), and the conduct of military operations is the responsibility of the Joint Chiefs of Staff (the professional military.) The 1984 law confirms this feature, although the military authority who will now have charge of the conduct of military operations is the chief of the Defense Staff, a new office created by this law as the principle collaborator of the minister of defense, to whom he is subordinate, organizationally and functionally, in the planning and execution of the operational aspects of military policy. We are now in step with the NATO countries in this basic matter, as Minister Serra observed. But where we have our differences is in the manner of organizing ourselves and of carrying out these functions.

Since, in the minister's words, "We are not dealing with a reform plan, in the strict sense, but rather with a process of adaptation," of which the modification of the organic law is only one part, and this process is likely to continue for some time and to remain the object of legislative attention throughout the session, I feel it may be of interest to analyze some of the principal anomalies which can be observed in comparison with other countries.

Anomalies

On account of the diverse nature of the decisions to be taken, issues relating to war and military readiness are framed on five levels. The National Security level, which is the responsibility of the state, since security is the sum and substance of defense and deterrence, in which material as well as morale factors come into play. The defense policy level, is in the charge of the government, with responsibility for direction and coordination devolving upon the prime minister. In order to achieve that coordination, which concerns all the ministerial departments, and which has never been actually achieved, there is need for an agency with authority above that of the ministers, since there must be coordination between the military potential--under the Defense Ministry--and the nonmilitary or civilian defense potential (so designated in article 21 of the law of 1980), whose contribution is the responsibility of the other ministries. The military policy level is in the charge of the minister of defense with professional military advice. The strategic planning level, is under military professionals, develops the prescribed policy guidelines. The military command level carries out and enforces orders issuing from the top political and military bodies.

How can theoretical organizational levels be made compatible with the actual force structures? There are several options. The prime minister himself might manage this, aided by an executive working committee under his direct orders, such as a General Secretariat for National Defense for coordinating the military and the civilian potentials. Or the prime minister could delegate the responsibility to a deputy prime minister for security and defense matters, who, with the General Secretariat for National Defense, could achieve that difficult but important coordination of all the agencies of the administration. Delegation by the prime minister to the minister of defense--which is what is established by the recent law of 1984--gives rise to several paradoxes difficult to overcome, such as concentration in this individual of a vast number of responsibilities, flowing from different hierarchical levels, in an effort to implement defense policy and military policy at the same time. This, in essence and fundamentally involves discharging two, to all intents and purposes unsorted out coordinating functions on two different levels: one the responsibility of all the ministries, and the other, the responsibility of the armed forces. No tangible success has been achieved in this area in the past 40 years.

A deputy prime minister for security and defense matters would make it possible for the national defense to be managed in such a way that its planning, organization and implementation would constitute a harmonious whole, which could provide the effective national security called for by the present article 3 of the law of June 1980. And a National Defense Survey to make available in political, state, regional, university, and other circles information and criteria in national defense matters seem indispensable, if the goal is to coordinate the resources of the nation in accordance with the criteria established in articles 14 and 15 of the legislation mentioned, in order to achieve the objectives set by the new defense policy which the government will shortly define in response to the request made last 22 May by the National Defense Council.

CHALLENGES SEEN FACING NEW FINANCE MINISTER SIMONSEN

Must Control Public Sector

Copenhagen BERLINGSKE TIDENDE in Danish 26 Jul 84 p 8

[Editorial: "Finance Minister's Mission"⁷

[Text] Minister of Finance Palle Simonsen has already completed an arduous and very important government job. The post of Minister of Social Affairs, which he left, was of course no easy task to perform either, but the official responsibility of the minister of finance is even more central to the restoration of a sound fiscal policy, which is the four-party coalition government's major challenge.

The minister of finance is essentially responsible for establishing the overall fiscal policy. Of course, he has the assistance of the minister of economic affairs and, with respect to municipal needs, the minister of the interior. However, basic policy decisions are made within the budget department of the Finance Ministry. It is the minister of finance who, on behalf of the government, takes the all-important initiatives. Furthermore, the minister of finance is also basically responsible for the government's own wage policy and for decisions about modernizing the public sector.

The most important task for the four-party coalition government's minister of finance will be to continue and further expand efforts to bring the public sector under control and to reduce substantially the still oversized national deficit.

We have begun to solve this problem, but we still have a very long way to go before we can say we have reasonably brought the public sector under control. The latest available figures seem to suggest some slowing in the growth of spending, but it is too early to say whether this is just a temporary phenomenon to be followed by new and large increases. As everyone knows, the present fiscal policy has already provoked violent protests against alleged cuts, reduced services, etc. However, the fact is that there have been virtually no cuts of a more drastic nature. However, to prevent the public sector from stagnating and not being able to take on new responsibilities, we cannot in the long run avoid the necessity of cutting or

decisively limiting a number of programs now in existence. This will surely be criticized as drastic, asocial and completely indefensible.

It will probably be to the government's advantage that the criticism of its policy so far has been excessive. There has been an inflated number of protests, and critics could hardly be more vocal in the future although they may have somewhat more to protest against.

However, the minister of finance's main challenge will be to implement the necessary policy. This can only be done by first winning the battle over public spending.

New Tightening Measures Possible

Copenhagen BERLINGSKE TIDENDE in Danish 27 Jul 84 p 7

[Article by Dan Axel]

[Text] Former Minister of Finance Henning Christophersen does not want to rule out the necessity for future government economic adjustments from time to time.

Among his last official statements, Christophersen asserted that the government is not currently planning any new economic adjustments--although it looks like the balance of payment deficit has escalated.

"However, we also have to assume that future supplementary policy adjustments will be needed from time to time in order to guarantee that present economic developments continue on track," Christophersen wrote in an answer to Ole Maisted (Free Democrats).

"The government will not consider any new adjustments until we learn from information and evaluations over the next few months what the extent of the deficit will be--and the reason for the increase."

The former minister of finance acknowledged that the balance of payment deficit is now expected to be higher at the end of 1984 than was calculated in December 1983. The reason for this--according to Christophersen--is that the economic recovery has been stronger than the government expected.

However, the government already knew this last spring and, hence, the so-called "Easter Compromise" with the Liberals, by which the cost of living adjustment was suspended another 2 years--until 1987--and other income policy measures agreed upon.

Besides next year's wage adjustments, agreement was also reached regarding this year's wages and the broader aspects of next year's budget, such as no changes in public spending from 1984 to 1985--except for price and wage regulations.

FRANCO-SOVIET TRADE EXAMINED IN LIGHT OF EAST-WEST CONFLICT

Tensions Blamed On 'Atlanticism'

Paris LES ECHOS in French 20 Jun 84 p 3

[Article by Jacques Jublin]

[Text] "It is quite simple" for several months the Russians have not been buying a thing from us to punish us for having been so firm in our conception of East-West relations." Yesterday evening, Jacques Delors, appearing on TV Channel 2, went far beyond the economy and plunged headlong into politics and diplomacy which are impacting on French industry in the Soviet Union.

But since Jacques Delors is often a man of terse comments and shocking statements, followed by exclamation points, he did not wish to elaborate, refraining from saying clearly that which the president of the republic will not fail to underscore to his hosts at the Kremlin. For French industry is paying part of the price of Francois Mitterrand's rallying to Ronald Reagan's positions on the nearly total ban on [sales of] state-of-the-art technologies which can be used behind the Iron Curtain for military purposes. This is only one of the West's responses to Soviet actions in Afghanistan and Poland and the installation in Europe of SS20 missiles.

According to Moscow, Francois Mitterrand is guilty of too much "Atlanticism. There is some truth to that; however, the dispute is complicated by the natural gas situation: Paris wants to renegotiate a contract, considering itself hurt by price developments. The climate has become unfavorable to the point that the USSR, in one of the rare big contracts under discussion, seems to be ready to give preference to the Canadians for a 1.5-billion franc plant to process the gases associated with the oil deposit in Tengui, Kazakhstan. TECHNIP and Creusot-Loire, which have their hats in the ring, do not need that...

From Ottawa to London, passing through Williamsburg, and from summit to summit, Ronald Reagan has been able to convince his allies. All the more easily because American generals have worked hard offstage to explain the need for ceasing to handle dangerous matches and for ending the role of Sorcerer's apprentice with the Soviet Union.

Although France once yielded little on the subject of Soviet natural gas; it now realizes its mistake. And then, less noticed, there was the cancellation of the French electronic telephone contract which was to have equipped Moscow, while at the same time supplying Russian engineers with considerable technological capability. "Out of the question," French authorities were told by COCOM (Coordination Committee), which arose out of the North Atlantic Treaty to keep an eye on shipments of "sensitive" materials to countries of the East.

France accepted this. It went further by participating in its way in revisions of the famous lists set up by this committee, lists which de facto are authorizations or vetoes for the sale of state-of-the-art technology behind the Iron Curtain. Everything speeded up very quickly, so quickly that the United States is ready to go so far as to put an electronic eye on the sale of personal computers which, with their shoebox size, could offer Soviet generals considerable computer power.

Francois Mitterrand attempted in vain to officially oppose "economic NATO's" efforts. A de facto technological "cordon sanitaire" has been installed around the USSR by the West under the overhead surveillance of the United States.

Was that what Jacques Delors was referring to on television Monday evening when he expressed surprise that the USSR was showing preference for the offers of German enterprises to the detriment of French companies? He said, "This preference would draw us into a strategic talk whose subtleties would require 10 minutes to clarify." Probably, among other things. And it is not perhaps by chance that the United States, which is asking a lot of Europe and France, is offering them potential compensation. Would it not be a tactical counterbalance to permit a company such as Thomson, which was deprived of contracts in the USSR because of the ban on technology, to receive a \$4-billion contract for the American army in association with the GTE group?

Since the road to the East has been cut for a time for diplomatic reasons, it would be better [for the United States] to open the "American Way" out of consideration for its allies.

Renegotiation of Gas Contract

Paris LES ECHOS in French 20 Jun 84 p 3

[Article by J.M.]

[Text] One of the principal results of the president's visit will be renegotiation of the January 1982 natural gas contract. Discussions between the French Gas Company [GDF] and the Soviets are to be concluded between now and the end of the year.

The price conditions set in the contract--payment in francs, with price indexation based on the price of crude and also on fuel prices in the FRG--

were advantageous at the time the contract was signed. They are no longer advantageous: the depreciation of the franc has made these materials more costly.

On 1 July 1983, that is 6 months before the start of the contract, the GDF requested revision of the prices for the initiation of the contract. When an agreement is reached, it will be retroactive to 1 January 1984. There is no question of changing the reference points for the base price but rather of obtaining a readjustment of the effective price. GDF is not lacking in arguments: the Soviet 1982 contract was calculated on the basis of the equivalent of \$4.60 per million BTU, while Italy, in an agreement recently signed, will pay \$3.50 per million BTU.

The French Gss Company hopes to receive a reduction of more than 10 percent. That would place Soviet gas at the same level as the average cost of gas supplies in France (Algerian gas excluded, it is true).

In principle, revision of the amounts of gas delivered is not on the agenda. But GDF has already managed to position itself at the minimum contract level. The company will receive 1 billion cubic meters (instead of 1.6 billion) and 6.4 billion cubic meters in 1986 (instead of 8 billion).

8143

CSO: 3519/441

THOMSON SEEKS GOVERNMENTAL APPROVAL FOR FOREIGN DIVESTITURE

Paris LE NOUVEL ECONOMISTE in French 16 Jul 84 p 56.

[Text] Is the principle of ("respiration") a right in the public sector and under what conditions may it be exercised? That is the fundamental problem posed by the Thomson group's plan to sell one of its factories, which specializes in the production of industrial ceramics, to a German manufacturer.

The proposed transaction is logical. Ever since being named head of Thomson, Mr Alain Gomez has set about to streamline the activities of the group.

This policy has expressed itself in spectacular boundary readjustments, but it nevertheless does not neglect transactions of more modest scale.

The outstanding business is an example of that. For 2 years now Mr Henri Starck, director of the components branch of Thomson, has been trying to sell the small factory at Montreuil-sous-Bois, whose 175 salaried employees produce industrial ceramic items: integrated circuit boxed, industrial faucet elements and thread guides for looms. It is a low profit activity which belongs to LCC-Cice, a Thomson subsidiary and number one French producer of passive electronic components with a revenue of Fr800 million--of which 5 percent goes to Montreuil. After having tried in vain to sell this factory to the CGE group, Thomson has finally found a buyer on the other side of the Rhine: Stettner company, which, with a revenue of Fr450 million, is among the world leaders in this sector.

Will the authorities give this transaction a green light? Thomson has already met with two refusals in similar cases. One involved the General Radiological Company (CGR) which Mr Alain Gomez wanted to "marry" to the American manufacturer Technicare. The other involved Cameca where, some weeks before its nationalization, Thomson wanted to cease production of machine tools for the integrated circuit industry. This would have greatly harmed the government which required it to negotiate an agreement with Matra. This did not prevent Thomson from stopping this operation after nationalization.

As before in the case of CGR, Thomson is again trying to sell one of its operations to a foreign group. As in the Cameca business, it is one of the links in what was the "electronic chain" plan.

Two years ago, the idea of Mr Jean-Pierre Chevenement was to extend public aid not only to the manufacture of electronic components, but also to the supplying industries, especially to the production of machine tools destined for this industry and the basic materials--of which ceramics are an integral part. Will financial objectives hereafter have priority over industrial ambitions and, in this case, what is the range of action of nationalized companies? This is a question to which the authorities have not yet given a definitive answer.

12666

CSO: 3519/438

NATIONAL ECONOMY'S 1983 FIGURES SHOW MODEST GROWTH

INSEE Analysis, Projections

Paris LES ECHOS in French 3 Jul 84 p 20

[Article: Economic Situation: Prospects for French Economy -- Slow Growth"]

[Text] We present here forecasts concerning the French economy in 1984. These forecasts were made with the help of the METRIC (quarterly economic situation model) program developed by INSEE [National Institute of Statistics and Economic Studies] and the forecast division. This article was written by GSI-ECO [expansion unknown] for LE MONDE.

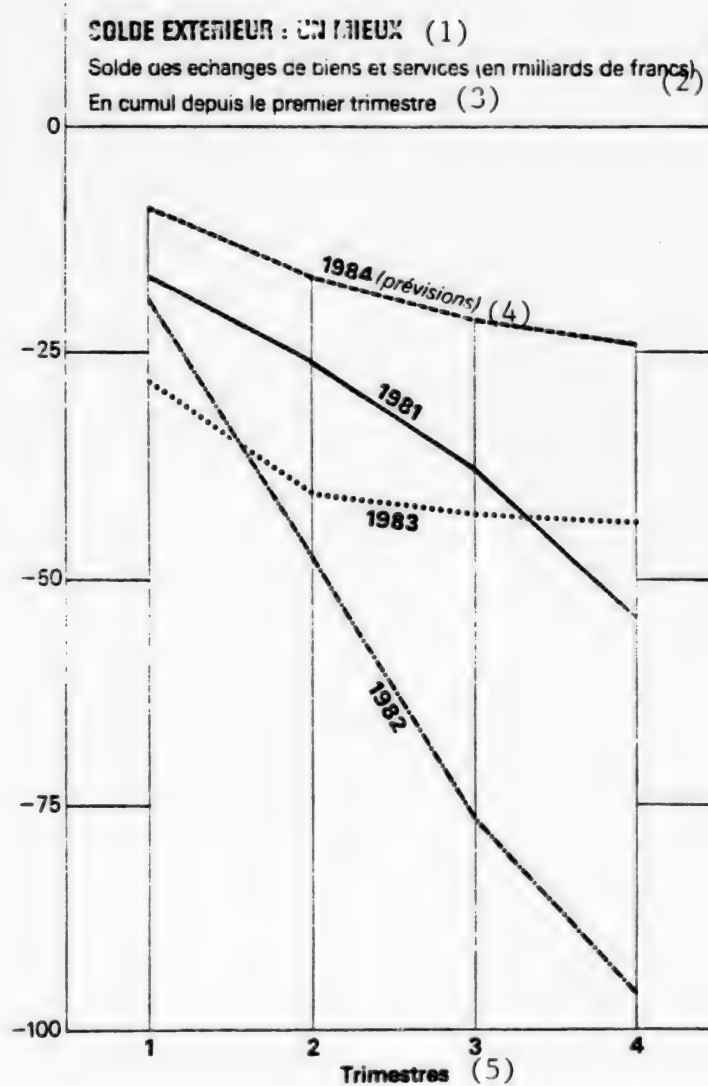
The French economy is getting settled into very slow growth. The same should continue to be true until the end of the year. In yearly terms, this year's growth should be 1.2 percent or a rate similar to that of the years 1980-1983. The quarterly growth rates of the gross domestic product fluctuate between minus 0.4 percent and plus 0.8 percent since the beginning of 1982.

The estimates of 2.5 million unemployed by the end of the year (in data adjusted for seasonal variations) are, alas, very likely to become reality. We also estimate that the slowdown of the price increases should bring the growth of the index down to a little over 6 percent between December 1983 and December 1984. There will probably not be a spectacular reversal in terms of income, consumption and savings; the future trade balance should be close to balanced by the end of the year.

The contribution of consumption to growth is expected to be even weaker than it was last year, while the contribution of foreign trade is expected to remain high. As of the second quarter, the contribution of corporate investments is expected to be positive again.

The austerity plan adopted in March 1983 has been extended to the 1984 budget. The rise in exports (plus 4.5 percent) occurs at the expense of reduced domestic demand (plus 0.3 percent). Within the framework of domestic demand, the growth of household consumption is weak (plus 0.6 percent). Even then, its maintenance is made possible by the drop in the rate of savings, because the purchasing power of income is still going down (minus 0.5 percent).

Diagram 1:



Source: GSI-ECO

The balance of trade of goods and services represented above corresponds to the balance of goods (CIF/FAB) and to the balance of services, in national accounting terms.

- Key:
1. Foreign trade balance: an improvement
 2. Balance of goods and services (in billions of francs)
 3. Cumulative since the first quarter
 4. Estimates
 5. Quarters

At the same time, the distribution of value added is becoming more favorable to enterprises than to households: stabilization of the cost of intermediary consumption and of social benefit payments, reduction of jobs, accompanied by gains in productivity, moderation of wage hikes.

Corporate investments, which are more self-financed, should recover by the middle of this year, but starting from a very low level. The INSEE survey of March of this year estimated an increase in volume of 11 percent in a limited field (neither BTP [Construction and Public Works] nor large national enterprises). Today, this increase seems to have been overestimated; however, a trend reversal should occur in some sectors, but probably with a slight time interval. This recovery is expected to be due to the recently nationalized enterprises rather than to the PME [Small and Medium Size Enterprises].

The dynamic elements of demand (investments, exports) will make it possible to support industrial production, which is expected to increase at an average yearly rate of 0.8 percent.

The weakness of wages slows down the price hikes. The already known index figures (plus 3.2 percent from December 1983 until May 1984) indicate a substantial shift compared to the previous years.

The few uncertainties which remain will probably not modify this general panorama and they are more an indication of the weakness of the maneuver margins, as the main trends have already been outlined.

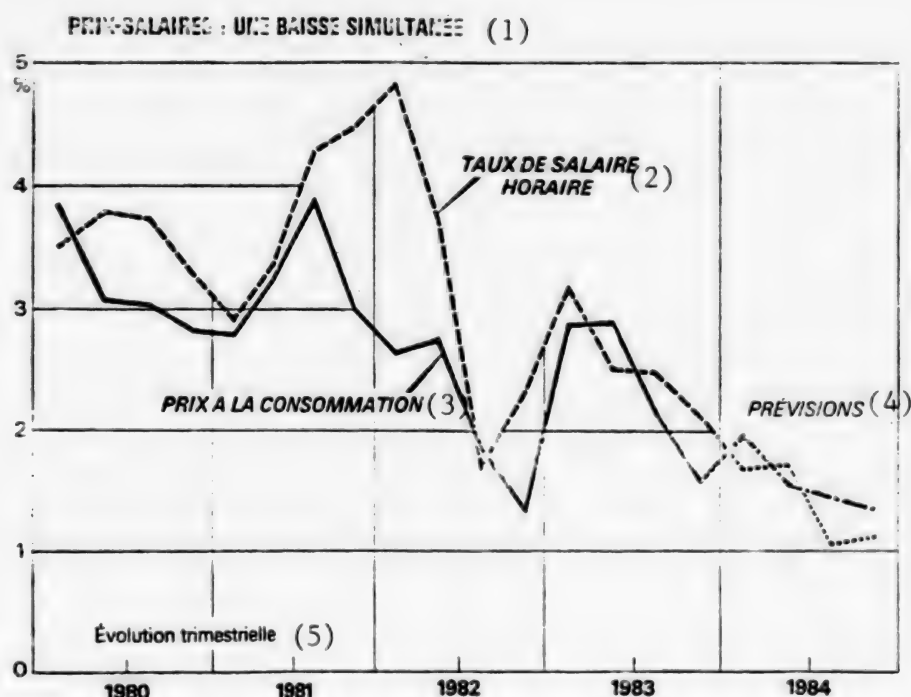
Do the revised government estimates concerning the trade deficit FOB/FOB (from 20 to 25 billion francs) have a reasonable chance of becoming reality given the deficit which has already been accumulated since January (17 billion francs) and given the level of the dollar?

The mediocrity of the results in foreign trade since January is due essentially to the energy balance and to the low surplus in the area of agricultural foodstuffs. On the other hand, the industrial trade balance is very favorable and should continue to be because of the sustained level of foreign demand.

As for the dollar, its average value for the two first quarters was set at 8.23 francs and 8.30 francs as against 7.62 francs in 1983. The distrust of the American currency which manifested itself vigorously in February could come back at any moment and with considerable violence.

Conversely, several factors (increase of interest rates, for example) could keep it at a high level and even cause it to reach new heights. We assume that it will stabilize at 8.25 francs until the end of the year. Under those conditions the trade balance is expected to be minus 30 billion francs, which is an improvement compared to last year (minus 43.1 billion francs). But if the dollar were to depreciate with regard to all currencies to a value of 7.80 francs for the two last quarters, without thus causing tensions within the EMS, the deficit could in our opinion be limited to 23 billion francs.

Diagram 2:



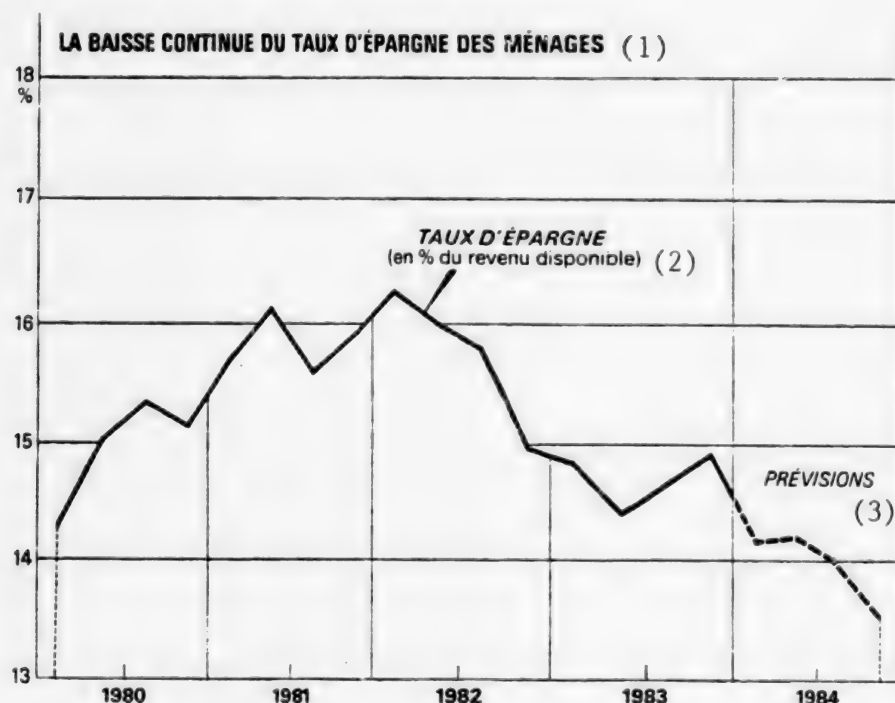
Source: GSI-ECO

- Key:
1. Prices-Wages: simultaneous drop
 2. Rate of Hourly Wage
 3. Price of Consumption
 4. Estimates
 5. Quarterly Evolution

The second uncertainty until the end of the year: will the purchasing power of household incomes experience a second year of reduction or will the benefits succeed in raising it? In 1983 the drop in purchasing power was 0.5 percent. We expect a drop on the same order this year. It would seem today that one should no longer expect gains in the purchasing power of hourly wages: the latter follows rather accurately the increase in prices. With reduced employment and increased social contributions, the majority of wages received by households will not compensate for the price increases.

As for the benefits, which represent one-third of disposable income, they will increase, true, but their gains in purchasing power are less the result of revaluation measures than of a mass effect (more unemployed, more retired), and especially they are much lower than those recorded at the beginning of the seven year term: plus 2.2 percent in 1984 as against plus 5.6 percent yearly average for the period 1981-1983.

Diagram 3:



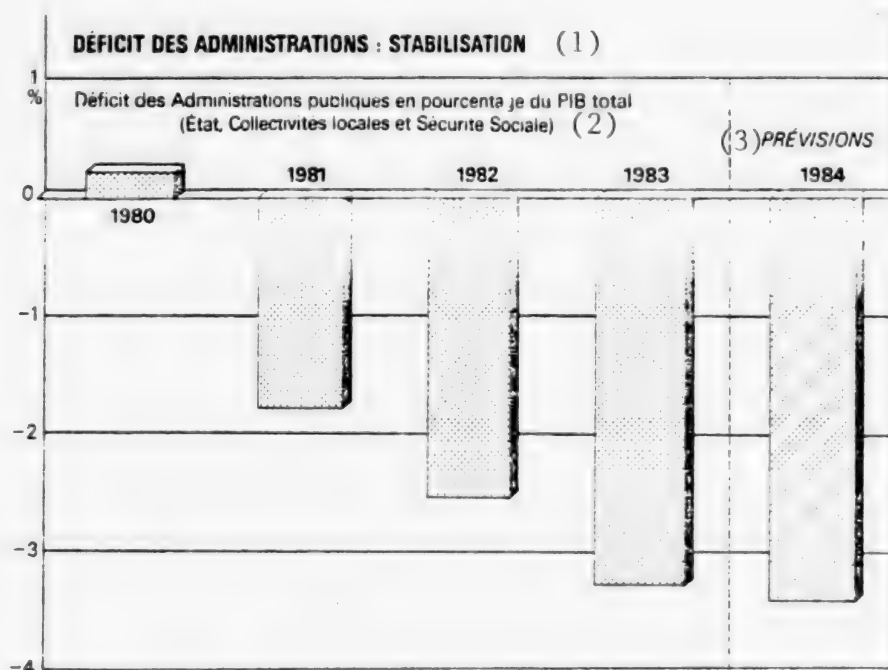
Source: GSI-ECO

- Key:
1. Continuous drop in Household Savings Rate
 2. Savings Rate (in percentage of disposable income)
 3. Estimates

Behavior with regard to consumption can be deduced from this marked increase of the share of benefits in income: the majority of these benefits are consumed more than other income and will contribute once again to reducing the savings rate: from 14.7 percent in 1983 it will go to approximately 14 percent in 1984. As a matter of fact, this drop affects savings intended for the purchase of housing more than it does financial savings, which are stabilizing: the drop in inflation increases real interest rates and thus makes most of the investments offered more attractive.

The growth of direct taxation is even stronger due to the renewal and extension of the levies which affect high income households. Similarly, the rise in contributions, which has affected wage earners since the beginning of the year, should enable the social bodies to increase their income. But direct taxation, with TVA [Value-added Tax] in the lead, is affected by the low activity. Furthermore, the increase in unemployment and in the number of retired individuals automatically raise the expenses of ASSEDIC [Association for Industrial and Commercial Employment] and of the Social Security Administration.

Diagram 4:



Source: GSI-ECO

- Key:
1. Government Deficits: Stabilization
 2. Deficit of government departments in percentage of total gross domestic product (government, local communities and social security administration)
 3. Estimates

'Recovery Not Attained'

Paris LES ECHOS in French 26 Jun 84 p 4

[Article by Nicolas Beytout: "The 1983 Accounts of the Nation -- Recovery Was Not Completed"]

[Text] Erosion of the purchasing power of households and recovery of the situation of enterprises. Such are the two main teachings to be derived from the publication of the nation's accounts for 1983. This basic evolution is in contrast to the evolution observed since the first oil shock, which had caused the effect of the crisis to be felt with greater harshness by enterprises than by private individuals.

Overall, the purchasing power of the disposable income of households is decreasing somewhat (minus 0.3 percent) as in 1980, whereas a strong recovery was registered in 1981 and 1982 (3 percent per year).

However, this drop in the purchasing power has not prevented households from causing a growth in demand (0.6 percent, but domestic demand is decreasing by 0.5 percent). This slight improvement is due to a drop in the savings rate which amounts to 14.9 percent as against 15.7 percent in 1982. In spite of everything, this reduced propensity to save does not make it possible for household consumption to rise substantially: the rate observed by INSEE (plus 0.9 percent) is the lowest since 1959.

The relative lack of vigor indicated by those data has obviously rubbed off on the growth of the French economy.

While in 1981 and 1982 France experienced a stronger growth than the other developed countries (plus 2.1 percent as against plus 0.6 percent for the EEC and minus 0.4 percent for the OECD), the trend was totally reversed in 1983, a year during which France experienced a limited growth of plus 0.9 percent, which was clearly less than the average growth of the countries of the OECD as a whole (plus 2.4 percent).

On the other hand, the situation of the enterprises is improving substantially: the gross operating surplus is growing by 17.1 percent and gross savings by 31.7 percent. The growth of intermediary consumer costs which is less than that of prices, gains in productivity and moderation of wage hikes explain, according to INSEE, the improvement of the operating surplus.

The enterprises in particular have benefited from a new distribution of the gross domestic product. As a matter of fact, in this regard INSEE noted that the share going to households dropped in 1983 (34.5 percent as against 34.9 percent in 1982), just as government agency income has decreased (16.3 percent as against 17.1 percent), whereas corporate savings rose (from 4.7 percent to 5.6 percent in 1983).

"Limited" Rise in Unemployment

Furthermore, the gap between the growth of our country and that of our major partners has made the recovery of our foreign trade balance easier.

However, the relative improvement of the health of our enterprises has not enabled us to hold the jobs market. The low growth of the gross domestic product, tied to the gains of hourly productivity of labor, has contributed to a 0.9 percent drop in total employment, or 200,000 individuals.

And INSEE noted that the "limited" rise in unemployment can be explained by a significant reduction of the working population. This reversal of the evolution, unknown since 1950, can be explained by "the reduction in the job holding rate for young people and for the older people." In other words, by the rise in the number of training periods and in the number of early retirements.

Overall, concludes the National Institute of Statistics, the imbalances which characterized the year 1982 were partly absorbed in 1983 under the impact of the policy of austerity and of the improvement of the international environment. The adjustment achieved during this year led neither to a recession nor to a

significant increase in unemployment, thanks to measures which seem to "have reached their limits."

The foreign trade deficit has been appreciably reduced even though the interest on foreign debts weighs more and more heavily. The distribution of income has been shifted in favor of enterprises. The disinflation movement continued. "Even though it has been started, the reestablishment of balances has not been completed."

Businesses Show Some Growth

Paris LES ECHOS in French 26 Jun 84 p 4

[Article: "Recovery of the Accounts of Enterprises"]

[Text] The accounts of enterprises experienced a "clear" recovery in 1983, noted INSEE, following 2 years during which the results had been particularly eroded. For companies (not including the big national enterprises) the marginal rate was set at 23.4 percent, a 1 point increase in comparison with 1982.

The savings rate "is improving even more clearly," returning to its 1980 level which, in spite of everything, remains behind the levels previously attained. Finally, the financing needs of the companies is going down sharply and the rate of self-financing "has reached one of the highest levels in 20 years."

INSEE feels that the improvement of the marginal rate is all the more remarkable as it was achieved in spite of the low growth. This recovery can be explained by a "very clear reduction" of the share of gross salaries in value added, which is in turn tied to a much smaller growth in the hourly wage rate than in 1982 and to rather substantial gains in productivity (plus 3 percent, and plus 4.4 percent in industry). And yet, noted INSEE, the marginal rate attained in 1983 remains low when compared to those of the early seventies (an average of 29 percent).

The recovery of the savings rate noted by the National Institute returns it to a level (9.6 percent) slightly below that of 1980, but it does not compensate for the break related to the second oil shock. These results, which when all is said and done are encouraging, are due to a reduction (from more than 10 percent to 7.1 percent) of the share of taxes and dividends in value added. Conversely, and in accordance with the trend recorded since 1959, the importance of interest has not ceased to grow.

And yet, the financing need of private companies declined a great deal in 1983 (82 billion francs) compared to 1982 (130 billion francs). This makes it possible for enterprises to regain an exceptionally high rate of self-financing: 69.5 percent as against 50.6 percent in 1982 and 57.2 percent in 1981.

Conversely -- and this factor very obviously explains the swelling of the rate of self-financing -- in 1983 the investment rate (13.9 percent) was "the lowest recorded over the last two decades." Specifically, the gross formation of fixed assets grew only 2.8 percent in current francs.

Reduction in Tax Revenue

Paris LES ECHOS in French 26 Jun 84 p 4

[Article: "Reduction of Taxes Levied by State"]

[Text]

Table: Evolution of Mandatory Deductions

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
In percentage of Total Gross Product					
Tax deductions after transfers.....	23.5	24.2	24.5	24.8	24.8
of which levied by:					
- Central government agencies	18.1	18.7	18.8	18.9	18.4
of which the state	17.9	18.5	18.6	18.7	18.2
- Local government agencies.....	4.5	4.7	4.8	4.9	5.1
- Social Security Administration.....	0.1	0.1	0.2	0.2	0.5
- European Economic Community.....	0.8	0.6	0.7	0.8	0.8
Actual social contributions	17.6	18.3	18.2	18.9	19.3
Actual mandatory deductions	<u>41.1</u>	<u>42.5</u>	<u>42.7</u>	<u>43.7</u>	<u>44.1</u>

Is it really a surprise or simply the confirmation of what the majority of the experts who work on the reduction of mandatory deductions already sensed? The fact is that the accounts of the nation confirm that the taxes levied by the state were reduced by 0.5 percent in 1983. And that tax levies as a whole remained stable between 1982 and 1983.

Mainly responsible for the increase of mandatory deductions from 43.7 percent to 44.1 percent are the social contributions which have increased 0.4 point, or as much as mandatory deductions as a whole.

These various observations, which will probably be found again more or less pronounced in 1984, perfectly illustrate the theory of Mr Christian Pierret, general rapporteur for the Budget Ministry, who believes that the effort to reduce mandatory deductions should be at least as much, if not more, the responsibility of local communities and of the social security systems.

As a whole, the increase in the fiscal and social pressure in 1983 is due to an increase of contributions for unemployment benefits and of social contributions of 1 percent of taxable income. This increase was eased by a slight drop in the government tax pressure due to lower than expected revenues from TVA and from corporate taxation.

Whatever the case may be, the mandatory deductions continue to grow more rapidly than the gross domestic product (11.8 percent as against 10.9 percent). However, the gap tends to decline in relation to the previous years.

Wage Earner's Purchasing Power

Paris LES ECHOS in French 26 Jun 84 p 4

[Article: "Wages: Maintenance of Average Purchasing Power"]

[Text] The average purchasing power of wages, which represent the essential part of household incomes, grew only very slightly in 1983. However, the median growth figure (plus 10 percent for men and plus 9.5 percent for women) masks the decline in purchasing power experienced by several categories of wage earners.

According to the accounts of the nation, this purchasing power has increased by 1.2 percent of the social contributions in gross terms and by 0.4 percent in net terms. It is the latter figure which should be kept in mind.

One notes specifically that relative to price increases set at 9.6 percent (on average, and 9.3 percent in decline) the upper level cadres and the category of foremen have experienced net salary increases of only 8.4 and 8 percent.

Furthermore, it should be noted that it is the most disadvantaged categories (unskilled workers and manual laborers) who have seen their purchasing power increase most. Finally, it should be noted that the wage gap between men and women, which had been noticeably going down for several years, now tends to become stabilized at approximately 25 percent.

Table: Evolution of Net Average Yearly Wages
according to socio-professional category and sex

	Updated manpower (in thou- sands)	Evolution (in percentages)					Net Wage 1983 (in francs)
		1979	1980	1981	1982	1983	
TOTAL	12,175	8.6	14.0	15.7	11.4	9.9	77,530
Upper level officials	907	7.8	11.5	14.4	9.8	8.4	194,900
Middle level officials	1,877	8.4	12.2	14.5	9.9	9.1	99,320
Foremen	428	7.7	13.6	13.8	9.0	8.0	93,390
Employees	2,730	8.4	14.4	15.2	10.6	9.2	63,390
Skilled Workers	3,070	8.0	13.5	15.4	11.3	9.2	64,650
Unskilled Workers	1,807	8.3	13.5	15.7	12.0	9.7	54,550
Manual Laborers	366	8.4	13.5	15.5	12.2	10.1	47,360
Other categories	989	10.3	12.8	16.7	13.6	9.7	53,870
<hr/>							
Total Men	7,872	8.0	13.8	15.6	11.6	10.0	85,130
Total Women	4,303	10.1	14.9	16.6	12.0	9.5	63,610

8463

CSO: 3519/453

SAGEM'S 1983 CORPORATE FIGURES

Paris LES ECHOS in French 26 Jun 84 p 20

[Article: "Sagem"]

[Text] The regular general assembly, meeting on 20 June under the chairmanship of Mr Robert Labarre, approved the 1983 accounts.

Following a grant of 78,088,114.99 francs to pay off tangible fixed assets, and of 14,135,622.33 francs to pay off capital increase costs, the operating profits amount to 107,002,017.08 francs, a 27 percent increase over the previous year. In the profit and loss account, the net profits amounted to 63,809,384.23 francs as against 59,181,642.95 francs in 1982.

The dividend, which will be paid as of 12 July, was set at 29 francs (plus a tax credit of 14.50 francs) for ordinary shares, and at 39 francs (plus a tax credit of 19.50 francs) for the ADP/SDV [expansion unknown].

In his address, the president noted that by the end of May the turnover amounted to HT [expansion unknown] 1,480,237,000 francs, an increase of 17.8 percent compared to the 5 first months of the previous year.

It is expected that by the end of the accounting period the global turnover figure will have increased on order of 10 to 12 percent. It should be recalled that the last 6 months 1983 benefited from the invoicing of equipment which was done over a period of several years, such as the supplies for the sixth nuclear missile launcher submarine.

There is some decline in the number of orders compared to the same period last year. They currently represent 11 months of invoicing.

As a matter of fact, the spacing out of the budgets has led the main French government services, civilian and military, to reduce the level of their orders to industry.

The repercussions are being felt especially within the "Navigation - Guidance - Piloting" group, whether it involves the departments of missiles, or aeronautics, or marine.

To this reduction in labor costs should be added those caused by technological shifts: "But this shift is vital to maintain the competitiveness of our enterprise at the international level. We cannot allow ourselves to become out-distanced by our foreign competitors, at the level of prices as well as of performance and quality."

"Our objective is to find the vital cost supplements on the one hand, by developing our exports, and, on the other hand, by broadening the range of our supply products, that is to say by attacking new activity areas."

"Those studies into new areas are added to all the studies developed in our usual categories."

"They represent overall 25 to 30 percent of our turnover. It is at this price that we will be able to maintain or acquire a first rank place at the international level for each of our various activities."

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CSO: 3519/450

DECLINE IN GROSS OPERATING SURPLUS IN COMMERCIAL ACCOUNTS

Paris LES ECHOS in French 27 Jun 84 p 5

[Article by Jean-Philippe Vidal: "Commercial Accounts in 1983 -- The Erosion of the Results Is Accelerating"]

[Text] In their first balance sheet in February, the national accountants gave a glimpse of it. The final report, which was approved yesterday by the Commercial Accounts Commission, confirms it: in 1983 commerce amply paid its tribute to the crisis. Under the triple shock of the decline in sales which in turn is tied to the -- unparalleled -- decline in consumption, of the increase in costs and of the famous "pinching" of the margins, the gross operating surplus [EBE] has been plummeting for the second consecutive year. The decline in constant francs even tends to accelerate as it reached an average of 4.5 percent compared to 4 percent in 1982 (this last figure was apparently reduced in the previous report).

Even if the statistical data gathered by INSEE [National Institute of Statistics and Economic Studies] and relating to the results accounts remain fragile because of uncertainties about the development of the prime rate, one must accept the obvious: profitability in commerce is more and more uncertain. By counting on a 1 point reduction in the prime rate (the result of the pinching), the EBE records an increase in value of 4.8 percent, all commercial categories together. In volume, that is to say in constant francs, the drop in revenue amounts to 4.5 percent.

This drop, which is all the more important as the EBE does not take into account either depreciations or taxes or social contributions, is unequal depending on the sector. It is more pronounced for wholesale trade (minus 5.7 percent), and weaker for retail trade (minus 3.9 percent). But it is at the level of the retailers that the erosion of results is the most rapid: the reduction is one point higher than it was in 1982.

Backed up by the growing cash shortages encountered by the enterprises, the trade disappointments -- which are known to have literally traumatized company managers, accustomed until then to manage strong growth rates -- find their origin first of all in a tangible reduction of activity. As a matter of fact, for the first time in statisticians' memory a drop of 0.3 percent in the volume of marketable consumption was registered last year. Such an evolution could not remain without impact on distribution sales.

With a total of 1,085 billion francs, the turnover of retail trade shows an average drop in volume of 0.4 percent. There again the sectorial differences are significant: the activity is increasing very slightly in the food sectors and has registered a 1 percent decline in the non-food sectors.

On the other hand, because it is much more in demand during periods of crisis, wholesale trade is not doing too badly, with an average increase of 0.4 percent. In any case, thanks to the last repercussions of the 1981 recovery plan, the activity could maintain itself and even produce a slight growth.

If the business decline explains the drop in revenue, other elements also enter into the game. Beginning with the increase in operational costs, and specifically in wages. It is true that the INSEE report stresses the deceleration in the growth of intermediary consumption and even of aggregate remuneration. But, aside from the fact that social payments have increased, it remains true in spite of everything that the costs weighed all the more heavily on the results as activity slowed down and that gross margins themselves have felt the repercussions of the recession (and of the authoritarian price control measures).

In any case, wages and intermediary consumption have increased more rapidly than have gross margins. Magnified by the pinching of the margins, this "scissors" phenomenon leads inevitably to an amputation of the operating result and leads one to wonder about the real size of the gains in productivity achieved by commerce.

Very obviously, the lean years leave deep traces on what is called the production factors and the socio-structural components. Thus, distribution in France is less and less likely to create jobs. True, more than 10,000 jobs have been created, but the rate is three times less (plus 0.5 percent) than in 1982 (1.3 percent). Even more, the total number of non-wage earners is supposed to have declined a little more rapidly than the previous years.

At the same time, we are witnessing a contraction in the number of enterprises as well as the number of stores. Overall, at the beginning of the year the trade system had more than 5,000 fewer enterprises in retail trade alone. These data, which should be seen in relative terms (retail trade still has more than 480,000 enterprises), are corroborated by the nearly 9 percent increase in the number of bankruptcies.

But the very poor results in 1983 did not produce only malcontents. Because, during a period of crisis it is the most dynamic (or the most powerful) who prevail, big business has been able to increase its area of activity. This is particularly true for the supermarkets which, over a period of 1 year, have gradually won 0.7 points of the supplementary market share.

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CS0: 3519/450

BRIEFS

STABILIZATION IN 1985 PREDICTED--The major economic balances (inflation, foreign trade, public finances) should be present in France in 1985, according to a private forecasting institute, IPECODE [Economic and Financial Forecasting Institute for the Development of Enterprises], which makes this projection by predicting a favorable international environment and continuation of the austerity policy. According to IPECODE, inflation will be moderate (4.8 percent in 1985), that is, a rate comparable to that of the years 1968-1969; foreign trade will be in balance once again, even in surplus; and the deficit of the public administrations will be limited in size to 3 percent of the GDP [gross domestic product]. However, two clouds will continue to darken the nation's horizon: the prevalence of unemployment and the irrepressible increase in mandatory payroll deductions. According to IPECODE, unemployment will total 2,760 million persons in the fourth quarter of 1985, resulting from weak economic growth. In addition, the Institute explores the political effect of a reduction in mandatory payroll deductions, noting that the country's social and financial situation makes their rise inevitable. The institute notes that the total and assessments represented 35.6 percent of the GDP in 1970, 36.3 percent in 1974 and 44.2 percent in 1983. It will again increase by 0.6 percent in 1984 and 0.3 percent in 1985, with an unchanged fiscal and social situation. It is even probable that Social Security funds will be eroded in 1985, which will require either a state subsidy, or an increase in mandatory payroll deductions. IPECODE also poses the question of what will be the basis of the promised 1 percentage point cut in the payroll deduction rate. This rate was 44.2 percent in 1983, at the time the promise was made; in all likelihood the rate will be 44 percent in 1984. In both cases, the cut represents a "loss of money" for the treasury of 57 billion francs in 1985, which will impact on the state's competitiveness and, therefore, on economic activity. IPECODE also emphasizes the financial recovery situation of enterprises and estimates that the disposable income of households should increase by 0.9 percent in 1985, after 2 consecutive years of decreases. [Text] [Paris LES ECHOS in French 21 Jun 84 p 5] 8143

SUEZ GROUP'S 1983 FIGURES--The total net income of the Suez Group rose to a record level in 1983, breaking the billion-franc barrier with a figure of 1.055 billion francs. This figure is more than double the 1982 net income (405 million francs), a year of "breakup" for the group due to the loss of certain activities to nationalization. After Senator Blin's report

pointed out this "weakening" of the group, when the Suez board of directors presented the 1983 net income figures, "it made a point of emphasizing that these income figures were the best response" to these assertions. The group's total sales in 1983 amounted to 226 billion francs, up 15 percent. Accounts receivable increased by 26 percent, with a particularly large rise in foreign activities. Up 19 percent, the net bank balance increased to 3.7 billion francs. Out of the total net income, the current profit was 709 million francs and capital operations totaled 346 million francs. Of this total, 45 percent came from France and 55 percent from abroad (compared to 61 percent in 1982). The net income of the Suez Company properly speaking contributes to this total to the tune of 430 million francs, the Indosuez Bank, 380 million francs and the Victor Group, 175 million francs. The group's overall profit ratio is 11.4 percent, which is considered "very satisfying." Three "weak spots" stand out, however, in terms of profitability: minority participation in the CIC [expansion unknown] the La Henin Company and Intelautomatisme (machine tools). [Text] [Paris LES ECHOS in French 20 Jun 84 p 5] 8143

RENAULT, CITROEN RAISE PRICES -- Renault an average of 2.7 percent and Citroen 3 percent: these two French automobile manufacturers are going to raise their prices as of 1 July next for the 1985 models. At Renault, the price of the R 25, the R 9 and the R 11 will be raised by approximately 4 percent. On the other hand, the R 5 saw its price drop by 5 percent in recent months, specifically because of the marketing of a rejuvenated (and somewhat stripped) version, "The Laureate," proposed in TL, GTL and turbo. However, for the versions at the bottom of the range, some equipment such as windshield wipers, car radios and back up lights will be standard equipment. With the announcement of its replacement, the R 5 has lost ground; its market share has dropped to an average of 8.5 percent since the beginning of the year, and to 7 percent in May. After 10 years of being at the top of the hit parade of sales in France, the mascot model of the state owned company has yielded its first place to the 205 Peugeot. A backward step which is not unrelated to the drop in Renault's penetration of the French market (31.8 percent of the market since the beginning of the year as against 35.1 percent for the year 1983). Furthermore, on 1 July Renault will begin the marketing of the R 18 4x4 (at a price of 83,600 to 95,300 francs) and the recently introduced Renault Espace (from 96,000 to 108,500 francs). At Citroen they are getting ready to release the Axel at a particularly competitive price (between 37,000 and 45,000 francs)... and manufactured in Romania. This new model will fit into the range between the Visa and the GSA. Citroen is also planning to rejuvenate its whole range with the launching of an LNA 11 RS which will be faster than the 11 RE, altering the Visa's dashboard, and introducing a 14 TRS version between the Visa and the RE and GT, and is planning to propose a four speed automatic gearshift for the BX (an option which would cost from 5,000 to 6,000 francs) and to combine a CX GTE engine with a completed version of the CX turbo diesel. Moreover, the CX 25 GTI will be available with automatic gearshift. [Text] [Paris LES ECHOS in French 25 Jun 84 p 20] 8463

CSO: 3519/450

PAPER COMMENTS ON GOVERNMENT'S ECONOMIC DEREGULATION

Reykjavik MORGUNBLADID in Icelandic 1 Aug 84 p 20

[Editorial: "Government Venture"]

[Text] It is quite unusual to be able to report on politicians choosing new ways after an Icelandic government decides to reduce trade deficits and help the fishing industry because of its difficult situation. The traditional solution under such circumstances has been to devalue the krona. The raging inflation that peaked at over 130 percent in the beginning of last year taught people that the devaluation method is no longer consistent with the goal of curbing inflation. The government has the firm conviction not to begin the devaluation game again, just to quote the words of Thorsteinn Palsson, chairman of the Independence Party, in MORGUNBLADID yesterday.

In a statement issued by the government yesterday, it defines the cause of the current problem by saying that it is "on the one hand a growing domestic demand because of imbalance in monetary affairs and deficit in the national economy and on the other hand a shortfall in the fish catch and marketing difficulties in the fishing industry along with a heavy credit burden due to huge investments in previous years."

The most interesting point in the government measures is the decision to tackle the imbalance in monetary affairs by loosening the hold of decisions of politicians and authorities on the interest on loans and interest on deposits. Thorsteinn Palsson considers this comparable to when the reconstruction government took an important step in the direction of freedom during 1959 and 1960 by abolishing all restrictions on imports and abolishing foreign exchange restrictions and rationing. In a short time, these measures led to totally changed and improved trade methods in the country which everybody will now agree were for the better and the leftists have, for example, never dared resort to rationing foreign exchange again.

At this time it is impossible to predict what changes the free interest rate system will cause. But the tiny slot that was opened up for free competition in the banking system last January has definitely been welcomed by those who are the pillars of the monetary system, the savings depositors. As is stated in the announcement from the Central Bank because of the government measures, the objective is that demand and supply should decide

the terms of trade in the monetary market and in this way promoting better balance than before. The escalation in bank loans indicates that is now sold at too low a price here as greater demand than supply leads to price increases. According to the new regulations, the extent of the Central Bank involvement will be based on making certain that the difference between interest rates on lending and deposits will not be abnormal.

In addition to this radical change in interest rates affairs, the government has decided changes in other factors of the banking system. It is also the government's intention that government projects such as at Keflavik Airport be postponed in order to reduce expenditures by 150 million kronur this year and reduce localized expansion in the labor market. Means will be sought through negotiations to get pension funds to provide more funds for the apartment loan system and to get insurance companies to buy transfer bonds from companies in the fishing industry.

When this is written, it is not known whether the measures taken by the government are sufficient for the fishing vessel operators on the Austfirðir to send their ships to sea again. Their decision to continue to dock the ships must be viewed as a statement that they do not plan to send their ships out again for a long time. The words of the parties' leaders can only be interpreted to mean that because of what now has been done, it will be possible for viable fishing vessel companies to maintain their ships at sea.

The authorities have no say over how much fish there is in the sea nor what the situation is in the marketing countries. It is noteworthy that included in the limited decision to subsidize the fishing industry's oil expenditure is a promise that within 3 months a review of pricing and taxation of oil and changes in that connection will have been implemented. Based on the main policy in the government's current measures, it is to be expected that this review will lead to freedom and competition between the oil companies. In addition, a promise of lasting improvements was also given with the government offer to aid the fishing vessel operators so that efficiency can be increased by removing inefficient ships from the operation.

Here we have touched on the points in the economic measures in which the government shows courage by taking a new track. It is necessary that people quickly realize the simple fact that these points all have in common that the responsibility is transferred from the politicians to those who justifiably should carry this responsibility.

9583

CSO: 3626/34

PAPER EXAMINES PROGRESS IN ATTRACTING NEW HEAVY INDUSTRY

Reykjavík MORGUNBLADID in Icelandic 4 Jul 84 p 16

[Editorial: "Major Movement in Heavy Industry Matters"]

[Text] There has been much movement with regard to the build-up of heavy industry in Iceland in the future since the change of ministers in the Ministry of Industries about a year ago. Hjorleifur Guttormsson ceased almost all efforts to continue with the building of large industries during the almost 5 years that he held the ministry. Thus years were lost, since preparations for the building of such industries take a long time. Discussions with the Swiss Aluminum Company on settling differences between the company and the Icelandic Government have not been brought to a conclusion, although progress has been made, and it is to be expected that there will be an agreement in the end that both parties can live with. There has also been discussion going on on the increase of aluminum production in Straumsvík. This is clearly the first major industry project which can be achieved. A period of growth is now in prospect also for the aluminum market and it may be supposed that the Swiss Aluminum Company sees some advantage in increasing the output of Icelandic aluminum production. The Heavy Industry Committee, chaired by Althing deputy Birgis Gunnarsson, has been busy since Sverrir Hermannsson took over the Ministry of Industries and the committee has carried out discussions with the chiefs of nearly all the large aluminum companies in the world. As a consequence of these discussions, the top managers have come to Iceland from one of the largest aluminum companies in the world, Alcan, which seems to have some interest in establishing aluminum production in Iceland. To be sure, these discussions are at their very beginning and no one knows whether or not they will lead to anything actually happening. However, it is clear that there has been a good spirit in the discussions of the Alcan representatives and Icelandic officials.

The Heavy Industry Committee has also started discussions on the construction of a silicon ore plant in Reyðarfjörður. This has been under consideration for a year or more. There is to be sure less involved here than would be the case with a new aluminum plant, but the silicon ore plant would nonetheless be an important achievement if it were built. It is, however, entirely clear that it is extremely important for us Icelanders to obtain foreign partners in the construction of such plants.

One of the major reasons for living conditions in Iceland being lower than they should be is the situation that prevailed for all of the last decade in the creation of new jobs. During the National Recovery Government the path was smoothed for the construction of the aluminum plant. However, the leftist government that took power in the summer of 1971 stopped progress, and it is only now that we have again begun the task with some vigor.

It is, to be sure, of the utmost importance that we find new areas of growth for our livelihood and it has been clear for some years that the construction of high energy-consuming industries is one of the best ways to buttress up our power in Iceland and the living conditions of the Icelandic people. The major movement that has taken place in heavy industry under the leadership of Sverrir Hermannsson, Birgir Gunnarsson and Johannes Nordals, creates optimism that it will be possible to make a new beginning in these matters.

To be sure, we must look in other directions besides heavy industry alone. We are making little progress in pond fisheries, an area in which the Norwegians and likewise the Faroese have achieved a considerable lead. It is desirable for those persons having the greatest experience in fisheries in Iceland to direct their abilities and capital to the build-up of pond fisheries, something that is, of course, closely connected to the area in which they have worked in the past. The Sales Headquarters of the Refrigeration Plants has made a noteworthy advance in this direction with the agreement made at the last general meeting of the companies to make capital available for pond fisheries. There is reason to expect that the new capital, which people are planning otherwise to invest in fisheries, will go to a large degree for pond fisheries, something that has great future prospects and likewise possibilities of considerable profits.

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CSO: 3626/31

NATIONAL ECONOMIC INSTITUTE ISSUES FORECAST ON TAXES, PRICES

Reykjavik MORGUNBLADID in Icelandic 7 Jul 84 p 3

[Article: "Revised Economic Forecast: 13-14 Percent Price Increases and 10 Percent Inflation at the Beginning of the Year"]

[Text] Projected in the revised economic forecast of the Icelandic Economic Institute for this year is a 13-14 percent increase in prices from 1 January to 31 December and an inflation rate of around 10 percent by the beginning of next year, if wage agreements are unaltered and there is no change in foreign exchange policy. It also forecasts that the purchasing power of disposable income is considered to be the same as in the last quarter of 1983, or 5 to 6 percent less than the average for all of 1983. The forecast states that foreign borrowing will be much greater this year and that debt will decrease as a proportion of national production.

According to the Icelandic Economic Institute, treasury income for the first 5 months of the year has increased by around 50 percent compared to last year but expenditures are up by only around 37 percent. The increase of revenues over expenditures has resulted, among other things, from the increase of business taxes to somewhat above the rate of price changes during the period. This was especially the case with general customs collections, in addition to greatly increased automobile imports. There was no decline in sales tax income, in spite of the estimated decline in purchasing power. Finally, collections of direct taxes were up by 57 percent over the previous year, but a much smaller change is anticipated for the latter half of the year or nearly 20 percent. MORGUNBLADID published yesterday the following news release from the Icelandic Economic Institute:

"The Economic Institute has published today its revised forecast for 1984 in terms of the trends noticeable during the year. The major conclusions are summarized in the introductory sections of the reports found in AGRIP UR THJORDARBUSKAPNUM No 2, July 19 84 as follows:

National production declined less in 1984 than was forecast at the beginning of the year, or by 1.5 percent compared to the 4 percent for last year. Noticeable here, among other things, is an enlargement of earning quotas, also a general increase of demand in Iceland compared to the previous forecast. There are certain signs that an improvement has been achieved in the fluctuations of the marketplace.

The condition of the different occupations is unequal at this time. Fishery companies are in difficulty on account of the declining cod catch and the large amount of debt that burdens the fishing fleet and has been increasing while catches have declined. The conditions of industries and some other types of employment seem, on the other hand, to be good. This fact finds its reflection in proposals for undertakings and for new companies.

Unemployment has, as a whole, been about the same as in 1983 and there are no prospects of great changes in the near future. Forecasts on the evolution of prices and wages during the year are little changed from those advanced as bases for wage agreements and the financial measures that followed the wage agreements. The forecast is for a 13-14 percent increase of prices from the beginning of the year until the end and for a 10 percent rate of inflation by the beginning of next year, if wage agreements are unchanged and there is no alteration of foreign exchange policy. The purchasing power of disposable wages during the year is considered to be similar to what it was during the fourth quarter of 1983, or around 5-6 percent less than the average for that year. Some uncertainty prevails about what will be the actual evolution of income, to the extent that income and purchasing power as a whole will be more than direct estimates indicate. The decline in individual consumption has been small so far in 1984, and for the year as a whole will be less than might be expected from direct estimates of the purchasing power of public income. Revisions for investment prospects now indicate a slight improvement in place of the earlier prediction of some deterioration. On the whole, the likelihood is that national expenditures will decrease slightly or not at all this year. On account of the large amount of imports so far this year, prospects are now for a much higher trade deficit than was planned, or a total of 4 percent of the national product, in spite of an increased export achievement relative to earlier forecasts.

Along with the foreign trade deficit, there is the beginning of an imbalance in domestic finances and in money and credit. There is a national deficit and a tightness on the credit markets could develop in spite of the increase in real interest rates. Foreign loans will be much larger during the year and Icelandic foreign debt will not decrease as a proportion of the national product.

Trends during the first part of the year show that inflation has been reduced greatly. There is still, however, a considerable imbalance in the national household. This imbalance presently finds expression first and foremost in an increasing foreign trade deficit.

9857

CSO: 3626/31

PAPER EXAMINES ECONOMIC PROBLEMS FACING GOVERNMENT

Reykjavik MORGUNBLADID in Icelandic 27 Jul 84 p 16

[Editorial: "A Need for New Resolutions"]

[Text] The government is supposed to be meeting before noon today. The ministers will be talking about the problems of the fisheries, necessary steps to take to stem the tide of inflation, and other factors which will contribute to the conditions necessary for stability and equilibrium in our economy. In fact, these issues have been dormant for a long time with respect to this government, as has been the case with most other administrations. Other governments have grasped just as often at measures which only last for a short time, and which soon result in losses for various businesses, which then send lobbyists to pressure the ministers and politicians. At present, the fishermen are first in line in the crowds of lobbyists. Many signs indicate that civil servants will be next.

The road toward stability and equilibrium, and the solid economy which is the best precondition for an improved standard of living and good production for an improved standard of living and good production in our businesses, is not the road which is currently being traveled in the demands being made on our civil servants, which will result in a breakdown in the retaining wall which we have succeeded in raising against inflation. When the government acted against inflation, it was resorting to unusual measures. It showed a quickness and daring which we are not accustomed to seeing in governments. Those measures, built on the political support received by the Independence Party in the April 1933 election, have achieved remarkable results, and kept the government afloat to carry on.

The reactions of the government authorities to the demands of the fishermen, and to those suggestions which seem most prominent for correcting excesses in the banking system, show us that the political vigor which we noticed at the beginning of this administration has died down. It is unlikely that it has occurred to those who counsel our government on economic matters, who sit in civil service offices all day, that we should declare a blitzkrieg against that very inflation which has served the government rather well. It is equally unlikely that they will come up with any new proposals for solving the problems of the fisheries or for cutting back on the demand for loan funds. Nor is it the role of our civil servants to fulfill the agendas

of our governments or our political parties; that is the job of politicians. What is urgent now is that the government quickly take the right steps, and that the ministers not resort to the well-worn paths, but rather act as they did in the battle against inflation.

The working committee and the central committee of the People's Alliance agreed day before yesterday on a series of proposals, which the communists believe will save our national economy to a greater or lesser degree.

The problems inherent in this can be traced back to the fact that proposals rather like these new ones from the communists are all too much like the proposed solutions from the 5 years of anarchy when they were in power. There is a need for new proposals. The leftist policies of bailing out and propping up will not do. Civil servants, who have no political responsibility, will not come up with sufficiently radical solutions. The government, and its component political parties, will need to make these new resolutions, with steadfastness and courage.

9584

CSO: 3626/30

SPURT IN IMPORTS LEADING TO CONCERN OVER TRADE DEFICIT

Reykjavik MORGUNBLADID in Icelandic 21 Jul 84 p 48

[Text] Goods imported into Iceland increased some 16.5 percent the first 5 months of this year compared with the same time period last year, according to figures from the Economic Board. It is estimated that the trade deficit for January to May 1984 has worsened to the tune of some 225 million kronur. According to forecasts from the National Economic Board the trade deficit for this year, as compared to last year, will increase because of this, amounting to 4 percent instead of the 1.5 percent which was predicted at the beginning of the year.

Imported goods are somewhat higher than what was predicted by the National Economic Board at the beginning of the year. The board estimated that goods imported into the country would decrease some 6 percent during the year because of changes in the buying power of salaries and in national expenses. But now, on the basis of the importations from the first 5 months of this year, the National Economic Board estimates that goods imported to Iceland this year will be 9.2 percent more than last year.

Imports might increase even more, according to this new analysis, depending on three factors. The income of individuals and the scope of business activity have increased more than the analyses previously available indicated. Extensive increases in loans granted have contributed to the importation which has resulted this year. This means that the import increase may indicate replenishing of inventories at the importing firms, since it is likely that their inventories were reduced last year. Changes in loans and maintenance of inventories could change this trend during the second half of the year. Bolli Bollason, of the National Economic Board, said that the Board's new analysis indicated that if imports could be brought down in the latter half of the year, they would even out to 9.2 percent. He said that the import figures from June showed that this was not likely.

"The most serious news is that the trade deficit has increased once again as a result of this, even though it decreased last year. At that time, the deficit was 2.5 percent of the gross national product. At the beginning of this year, we predicted that it would amount to 1.5 percent. According to our current analyses, it will amount to 4 percent this year, and will only be able to be covered by taking out foreign loans," said Bolli Bollason.

COLUMNIST EXAMINES PROBLEM OF FISHING FLEET

Reykjavik MORGUNBLADID in Icelandic 27 Jul 84 p 9

[Commentary by "Staksteinar": "Private Enterprise in the Icelandic Fisheries"]

[Text] Fisheries in Trouble

National attention has been largely focused lately on problems in our fisheries. "Staksteiner" comments on them today, mentioning the editorial page of THJODVILJINN last Tuesday, where the suggestion was made that private enterprise ought to be given a free hand in the fisheries. We welcome these healthy thought from THJODVILJINN, and we are glad to see that paper finally admit that private enterprise is the best way to go.

Roots of the Problem

The problems suffered by our fisheries industry have been a big topic of discussion the last few weeks. Hardly a day goes by that there isn't an article in the paper about a fisheries company which is doing so badly that it is only a question of time before it goes belly up. For some years now, one government after another has refused to dig down to the roots of the problem and cut out the malignancy. Instead, they have always grasped at short-term solutions, like devaluation of currency, which have continued to float the fisheries and fish processing plants for a few months at a time. No government, since this nonsense began under the leftist government of 1971-74, with useless investments in fishing ships, has had the guts or the political clout to achieve any real improvements--instead, they have just kept the ball rolling, and the problems keep piling up.

As a result of this policy, or lack of same, the fishermen have been unable to utilize their own energy, initiative, and intelligence. Finally, it encourages caution in operation and tentativeness in investments if people think that the government is overburdened in one way or another. The result is that fewer and fewer people look on the government as a "big brother" who always makes sure that no one goes broke.

Responsibility Taken Away

The main problem of the fishermen in the last few years is that the responsibility for their own actions has been taken away, and that the government has not succeeded in seeing to it that the economy is healthy enough for a well-operated business to support itself--no matter whether we are talking about fish processing, fishing, heavy industry, or other types of businesses. And so it is overprotection, which unfortunately all too many spokesmen for fisheries and fish processing have grown accustomed to, that is the root of the problem.

Private Enterprises

These developments have attracted much attention--no matter what your political opinions are. THJODVILJINN looks like it is finally coming around to admitting that it is necessary to allow individuals the right to use their own resources and strengths. Last Tuesday, the editorial page of THJODVILJINN included the following: "It has always been the policy of THJODVILJINN and the People's Alliance that the initiative and motivation of individuals ought to play an important role in the development of our fisheries and related professions. The nature of the fisheries and processing businesses in this country is such that a monopoly of the larger operations, even if it were run according to socialist guidelines, would stand in the way of the development of the industry, putting too much power in the hands of authorities and officials in Reykjavik." This was a timely, ground-breaking statement for THJODVILJINN to make. But the day after it appeared, a certain NT, a press representative for SIS, printed a column in THJODVILJINN on the editorial page. The Progressives always take it as a personal offense when private enterprise is praised. And then NT got angry in FRAMSOKNARBLADID at the City Fisheries of Reykjavik, which is one of the few companies in which the company directors have dared to make radical changes in order to improve operation. The Progressives find anything bad which contributes to the fisheries helping themselves.

To Be Allowed to Use One's Own Resources

It is clear that the government ought to get going right away and get to the root of the problem. We ought to decrease the number of fishing ships, and return to a system in which fishermen, just like other people who run businesses, bear the responsibilities for their own actions. They should be allowed to draw on their own courage and intelligence, or the soup will boil over from all the mismanagement it has been subjected to.

The fishermen ought to be able to see that it would be best for them to be allowed to sit at the same table as other professional people--or else people would be tempted to count them as part of the government. Subsidies, down payments, and special privileges for the fisheries have the final result that people work harder on what they can get out of the government than on putting out to sea to fish.

FISHERMEN SUFFER HUGE LOSSES OVER YEAR

Reykjavik MORGUNBLADID in Icelandic 27 Jun 84 p 40

[Text] Estimated losses suffered by the Akureyri Fisheries Association in the first 5 months of this year amount to some 20 million kronur, not counting considerable losses in the association's fish processing departments. Fishing losses for all of last year amounted to a total of 20.5 million kronur. Only the trawler "Solbakur," which was in drydock all year, kept its accounting records in the black.

Gisle Konradsson, second general secretary of the Akureyri Fisheries Association, said in an interview with MORGUNBLADID that the cod shortage was the principal problem. The association's ships had found very little cod, and has accordingly turned to fishing for red perch and halibut. Compared with usual activity, the red perch fishery for this period was as good as dead, since it showed losses both in fishing and processing. One might even go so far as to say that the losses were less for the trawlers that were in drydock than for the ones that were out fishing for red perch. Capital costs from ship purchases were the same whether the ship was out fishing or at home in port. Ships out fishing for red perch did not meet their capital costs, and so they suffered more losses out fishing than the ships at the docks--but there is no profit to be had from keeping ships in drydock.

Operating losses suffered by the ships of the Akureyri Fisheries Association last year were as follows: "Kaldbakur," 2,139,158 kronur; "Svalbakur," 2,576,300 kronur; "Hardbakur," 9,252,625 kronur; and "Slettbakur," 7,012,423 kronur. "Solbakur" was also included in the accounts, although it had been brought ashore and was in drydock all last year. It showed a gain of 458,000 kronur. The calculated price increases resulting from price changes amounted to a total of 1,340,000 kronur, and various costs for the ship which came out in the black came to 964,000 kronur. However, the Akureyri Fisheries Association showed a gain of 2.5 million kronur last year, primarily because of value increases saved from the previous year.

FISHING INDUSTRY LOSSES, OVERHEATED ECONOMY MAJOR PROBLEMS

Reykjavik MORGUNBLADID in Icelandic 19 Jul 84 p 24

[Editorial: "Deregulation of Interest Rates"]

[Text] Economic activity is lively in the greater Reykjavik area this summer. There has been a lot of progress. New buildings are shooting up. There are a number of skyscrapers under construction. Developments on the labor market have been extensive, and overpayment has become a reality. This has been generally seen as a positive sign. But many people are of the opinion that these extensive developments might lead to excessive foreign loans. This vigorous economic activity along our coasts has no roots. For this reason, it is immediately dangerous to the economic equilibrium which the government has been trying to achieve.

The direct results of this economic spurt have been increased imports, increased demands for loan funds in our banks, and increased demands for labor. Workers are leaving the fish-curing plants and looking for more progressive lines of work. Fish-processing stations are having a hard time maintaining a viable workforce. And so our big economic boom has played a real part in adding to the problems experienced by our fishing and fish-processing industries.

It must be obvious to our government that danger is looming up ahead. The government has put pressure on the Central Bank, which in turn has pressured the commercial banks, to decrease the number of loan funds offered. This is an obsolete method, intended to gain control over the money market, and the Central Bank and the commercial banks have agreed on a loan funds limit figure, which has never been followed. But there is another way to support equilibrium on the money market as well as in the general economic life of our nation. Instead of having the Central Bank try to force the commercial bankers to bring down their loan funds, the minister of finance and the Central Bank ought to give the banks and savings and loans a free hand as regards interest. The minister of finance and the Central Bank ought to tell the banks: "You can set your own interest rates--both for savings accounts and loans." This would keep us on the road towards more free competition in our banking system. No doubt about it, interest rates will have to go up somewhat because of the competition for savings accounts and the increased demand for loans. But we can hardly call that unnatural,

considering the current state of our economy. The Central Bank is going crazy trying to get the commercial banks to cut back on loans. At the same time, Icelandic firms are finding increased access to foreign loans, in countries where people pay higher interest rates on savings accounts than they are permitted to do in this country.

Many people would find it unthinkable to have supply and demand controlling the interest rate. Why? It is merely a question of freeing ourselves from old highbrow ideas. Deregulation of interest rates would make a bigger contribution towards reestablishing equilibrium in our economy than any other action the government could take. A free money market is one of the prime prerequisites for renewed progress in Iceland.

9584

CSO: 3626/30

AFRICAN OVERTURE DERIDED, NATIONAL DEPENDENCE STRESSED

Lisbon TEMPO in Portuguese 2 Aug 84 p 4

[Article by Antonio Marques Bessa]

[Excerpts] Balance

One of the fulcral points in our communitarian life is foreign trade. Being a nation dependent on foreign supplies, we do not simultaneously develop the capability of selling in the same amount. Dephasing, which was formerly balanced out through remittances by emigrants, tourism and recourse to overseas supplies, ceased to be balanced in that traditional manner. This is because imports rose drastically (from 1974 on) without being counterbalanced, and incompetent regimes, in the face of that difficulty, could only do what the first republic had done: resort to foreign banks, to those philanthropists who only know how to do favors for democratic countries. The government officials had never heard it said that financial debts generate dependence and the need for other debts. Once the balance was broken, it was never restored. Portuguese foreign trade, exchanges abroad, have grown in our disfavor and negative figures in the balance of payments have gradually increased from year to year. No one wanted to cut corners when it was possible. No one wanted to invest when it was necessary to do so. No one wanted to use disciplinary action when it was still possible. The state and its ruling class did favors for Cuba, for Russia, and for all their friends, taking off their hat to the most insignificant geographical expression and letting themselves be gaily sullied by anyone of them. It was a country to be plundered, and there is no substantial proof that any of that has changed.

Therefore, the escudo could only devalue, and it has no other alternative, since debts in foreign currency have continued to pile up and the banks gaily herald more loans; it is not the dollar or mark which are rising; it is the Portuguese economy and its monetary expression--the escudo--which is continuing to drop in value. It is for this reason that the Nobel Prize in chemistry, as it has been said, should be bestowed, in proportion to the circumstances, upon all the regimes since 1974. It is a fact that the gold escudo has been transformed into another material, a material with which everyone is acquainted.

The balance which was promised is nonexistent and that is a serious problem relating to our national survival, not only because of the dependence which it represents but especially because of our internal incapability of achieving modernized production which that dependence implies. And this makes the matter still worse.

To Be Taken Seriously

All in all, Portugal is a small country with all which that implies: shortage of markets, shortage of resources, shortage, in fact, of the slightest power. What is to be desired is for our country do be taken seriously, as a small power but, in some manner, with a certain amount of weight.

And this is not happening. The country is so dependent that it no longer merits respect. All of the government's grumbling over the Africa which was formerly Portuguese is only so much buffoonery. Paradoxically, it is Mobutu, from a former Belgian colony, who shows the most interest for Lisbon. Dialogue for understanding in southern Africa is obviously passing over the heads of the Lisbon idiots, who are not called upon or involved, putting off any claim to privileged status when no one now needs the status. It is the most complete fiasco and the greatest imbecility and can only be compared to French investments in Russia during the empire of Napoleon III. The Americans (obviously) and the interests of capitalist companies of that great empire are busy with the circumstances of South Africa and Mozambique and guerrilla movements. The Portuguese who controlled that territory watch the ships go by. What triumph for national diplomacy!

The second problem, that of the country's image, which, in fact, is related to its power (first problem), has received the same response: nothing done. Resultant problems (lack of internal cooperation, delays which are multiplied, social disintegration, failures, etc.) constitute a rosary which, in its lack of proverbial counting, the entire government could deposit in Fatima. Gentlemen, what do you think about such a pilgrimage?

8568

CSO: 3542/106

BRIEFS

USSR SHIPBUILDING CONTRACT--Two cargo ships ordered by the Soviet Union were christened yesterday and put afloat by the Viana de Castelo shipyard. One of the vessels was christened by the wife of the Soviet ambassador in Lisbon and the other by a representative of the Soviet firm which ordered them, SUDOIMPORT. These are the last two of four units of the "river-sea" type designed to carry grain; the contract, awarded in 1982, came to a total of \$38 million. The ships are 119.2 meters long and 13.4 meters wide; the depth of the hold is 6 meters and the ships have a cargo capacity of 4,700 cubic meters and a cargo-carrying capacity of 3,135 tons; their maximum speed is 10.5 knots. The vessels, which were in dry dock, were put afloat yesterday, and their definite delivery to SUDOIMPORT is scheduled for March 1985. Meanwhile, the Viana shipyard signed another contract with another Soviet company for the repair of fishing boats, and the first boat is due to arrive on 10 August. According to information supplied by engineer Joao Leite, one of the shipyard's administrators, "the three contracts come to a total of \$100 million and cover a total of 11 ships; the contracts were signed within the past 8 years between the Soviet company, SUDOIMPORT, and the ENVC [Viana de Castelo National Enterprise]." According to the same source, the orders placed by the USSR with the ENVC in the past 8 years have occupied an average of about one-third of the shipyard's capacity. [Text] [Lisbon DIARIO DE NOTICIAS in Portuguese 2 Aug 84 p 7] 8568

TELEPHONE CHARGES NOT INCREASED--The government has not yet reached a decision with regard to a rate increase on telephones. Through contact with the Secretariat of State for Telecommunications, we learned that the proposal presented by the board of directors of CTT/TLP [General Administration of Post Offices, Telegraphs and Telephones/Telephone Workers of Lisbon and Porto] is now being studied by the Ministry of Finance. Raul Junqueiro, secretary of state for telecommunications, also assured us that the proposal to increase the rates, as proposed by TLP's board of directors, is substantially less than the figures given by a certain newspaper (between 18 and 40 percent), "being below the rate of inflation for this year" (24 percent). We also learned from a reliable source that the renting of telephones may cost as much as 1,100 escudos (850 presently) and that the installation

of new telephones and telex equipment is not to be increased, according to TLP's proposal. As for the unit price of "calls," it is to increase by 1 escudo, whereas, in the case of public telephones, it is considered certain that the present price of 6.5 escudos will be maintained. It is to be noted that, if the new price increases are approved by the government, they will, "in all certainty," be the last this year, while their postponement is expected to oblige the government to reconsider the subject at least next year. [Text] [Lisbon TEMPO in Portuguese 2 Aug 84 p 40] 8568

CSO: 3542/106

POSSIBILITY OF REVISING GALICIAN SHIPYARD RECONVERSION

Madrid ABC in Spanish 27 Jul 84 p 17

[Text] The Socialist government has agreed to revise its naval reconversion policy in Galicia if that is the recommendation that emerges from technical-economic audits which Felipe Gonzalez has agreed to conduct for the shipyards which are affected by the reconversion, according to information received by ABC from sources close to the office of the prime minister of the Galician government. This was the most significant outcome of the meeting yesterday in Moncloa between the country's prime minister and the head of the Galician autonomous government, Gerardo Fernandez Albor.

In spite of that concession by the central government to the autonomous government, Director Fernandez Albor left the meeting at the palace at Moncloa upset and disillusioned after a 1-1/4-hour discussion with Felipe Gonzalez. Albor, who appeared before the press with a sober expression and was obviously dissatisfied, said that he could not offer a favorable commentary on the interview.

He said, "It is always good to keep in touch, but the interview itself was not a favorable one."

With that comment, the Galician prime minister revealed his deep disillusionment with the result of the meeting with Felipe Gonzalez. It is dissatisfaction that is limited not only to the differences between the government and the [Galician] council on naval reconversion--the only subject discussed by Gonzalez and Albor--but rather stems mainly from the brevity of the meeting for which the Galician prime minister had meticulously prepared and from which he expected concrete solutions to a long list of problems. Consequently, he referred several times to the "short time" he met with Felipe Gonzalez due to the fact that the president had to receive the Turkish defense minister, Zeki Zavuzturk.

As a result, naval reconversion was the only issue which Gonzalez and Albor were able to discuss, the other topics related to the true development of Galician autonomy being left for a more appropriate occasion.

No Agreement

This second official meeting during a 7 month period between the country's prime minister and the head of the Galician Council consequently accomplished very little, since most of the issues remain pending as before. Furthermore, there has been no headway made on the proposals for naval reconversion which remain unresolved and without any prospects for agreement, at least in the relatively near future. The only really positive aspect of the meeting, according to Albor, is that agreement has been reached on holding meetings between council members and government ministers to continue in more depth the discussions which have already been initiated. Meetings scheduled for next week should serve to put an end to those "minor discrepancies" which Fernandez Albor admitted exist between the central and Galician governments regarding the means of approaching naval reconversion. The differences, which do not seem as small as Albor describes them, are reflected in the appeal of unconstitutionality submitted by the council against the decree law of reconversion which if successful, would put an immediate halt to the process. The Galician Council wants to avoid having to resort to that type of situation and therefore urgently seeks discussions with the government at the highest level which would permit negotiating the Galician solution to naval reconversion described in the "White Paper" published by the council. This solution is summarized in the following points: a freeze on the present reconversion process; steps for the reorganization of the merchant navy and the Spanish fishing fleet; carrying out audits at each of the shipyards; consideration of the areas of El Ferrol and Vigo as preferential locations for naval construction; measures for the development of an auxiliary industry; appropriate measures for unemployment compensation and the urgent creation of ZUR in El Ferrol and Vigo with direct management by the council.

9787

CSO: 3548/304

BANK REPORT ON ELEVATED EXPORTS, LOW DOMESTIC DEMAND

Madrid ABC in Spanish 27 Jul 84 p 42

[Text] According to the recent edition of the Bank of Spain's economic report, foreign demand has been the factor that has improved the health of the country's economic activity during the first 5 months of this year. However, this recovery could be even greater had it not been curbed by low domestic demand.

The report states, "The Spanish economy is receiving a considerable stimulus from abroad in contrast to the weak state of the domestic demand." The evolution of real family income keeps personal consumption at a standstill, and private investment remains stagnant with a very negative situation in the construction sector, a drop in fixed production investment in certain important sectors like energy and transportation and uncertain growth in other capital assets.

In contrast, the situation in the foreign sector is much more optimistic. The U.S. economy has maintained a high rate of recovery, and a similar phenomenon has occurred in the case of Japan. In spite of the fact that the other developed countries are not enjoying such favorable growth and that the developing countries have serious liquidity problems, "world trade and export markets for our products are growing at a considerable rate. This fact, along with the improvement in competition achieved recently, are the bases for the extremely rapid expansion of Spanish sales in recent months."

Favorable Macroeconomic Facts

The same report goes on to state that it is precisely this improvement in the foreign sector that is contributing toward a substantial adjustment in the balance of payments. The trade deficit may be reduced by one half between 1983 and 1984, and the deficit for the current account which reached \$2.6 billion last year could give way to a surplus of about \$1 billion this year.

On the other hand, the rate of inflation also shows a definite deceleration tendency since the consumer price index has shown an annual rate of 8.2 percent in the first 5 months whereas this percentage rose as high as 10.5

percent during the same period last year. This change has been mainly due to the favorable shift in labor costs, the slight inflationist effect from the foreign sector through rates of exchange and the weak domestic demand.

Regarding monetary policy, during the period from January through May a considerable reduction of imbalances took place. Our economy continues to be dominated by the financial necessities of the public sector which are determined by a deficit that has not been stabilized [part of text missing] as the same general forces continue to operate which keep it at the same high level as in the past.

The bank report calculates revenue increases for exports. Based on a conservative estimate using data for the month of June, growth in revenue rates can be estimated during the first half of this year at about 40 percent annually compared with the previous 6 month period and over 20 percent above the same period last year.

Bank of Spain Estimates

<u>Heading</u>	<u>1984</u>	<u>1983</u>
Increase in Gross Domestic Product (PIB) (%)	2.5	2.1
Current Balance (\$Billions)	1.0	- 2.6
Balance of Trade (\$Billions)	- 4.7	- 9.4
Inflation (%)	8.2	12.1
Public Deficit (billions of pesetas)	1.3	1.5

Source: Economic Report

Financing the Deficit

With regard to the public deficit, it is actually higher than initial estimates to the extent that almost the total financing received by the nonfinancial resident sectors of the economy has been concentrated in public administration. Regarding the financial machinery of the nation's deficit, it should be pointed out that direct recourse through advances by the Bank of Spain no longer constitutes the base, and it has been replaced by contracting short-term debt under the banking system. Therefore, treasury promissory notes have been the basic instrument for this type of financing.

Under the system of treasury promissory notes, 1,823.5 billion pesetas have been borrowed, obtained by the government during the period from January through May which are the result, in great part, of the substitution of this new method in place of the CRMS which has been made possible at 1,157.2 billion reduction in appeals for advances from the Bank of Spain. Furthermore,

the bank has acquired 312.3 billion in promissory notes with the result that the reduction in financing granted to the treasury by the Bank of Spain is now earmarked at 844.00 billion.

The second source of financing by the government consists of recourse to the foreign sector which contributed 107 billion. Finally, the I.O.U.'s for investments have exceeded by 15 billion the endowments toward official credit, whereas in the long-term issues market, the government has not realized significant financing.

9787

CSO: 3548/304

MADRID WHITE PAPER SEEKS TO FACILITATE EXPORTS

Madrid DIARIO 16 in Spanish 6 Aug 84 p 11

[Article by Maite Nieva]

[Text] The export sector is the only one in recent months which has maintained a satisfactory growth rate, in the view of economic authorities. The government wants to eliminate from legislation all the rough spots which are making sales abroad difficult and also wished to channel the products of Spanish businessmen through representation offices. Beginning next month, an offensive will be initiated which will include the preparation of a white paper to provide an in-depth examination of the sector's problems.

Madrid--The preparation of a white paper on export companies in which the sector's most acute problems will be examined, and also the aid required for its protection, is one of the agreements reached by the AECE [Spanish Association of Export Companies] with the INFE [National Institute for the Development of Trade] after a meeting held between the director of planning of this organization, Rafael Coloma, and the board of governors of AECE.

The areas to be covered by this white paper, the principal points of which will be studied beginning in early September, include the adequacy of current export legislation vis-a-vis the present reality of the export companies. According to what DIARIO 16 was told by the president of the AECE, Andres Manzano, up to now exporters have been left out of the administration's plans in the distribution of INFE's budgets. "What we propose is for those funds to be distributed and that we, too, be favored."

In spite of the importance of export companies in other developed countries --Japan conducts over 80 percent of its exports through them--in Spain the role such companies have been playing has been ignored, Andres Manzano went on to say.

"Our organization wants to revive the administration's interest in those kinds of companies, which represent rather large volumes of total exports."

What is more, the organization proposes to increase the work of small and medium-size companies which, because of their structure, lack commercial organization abroad. "This vacuum will be filled establishing their own organizations abroad."

Legislative Vacuum

As regards administrative legislation, according to the AECE president there has also been a failure to give consideration to the export companies when trade or customs laws are prepared. Among the points that have a negative effect on export companies are "domestic value" or tax reductions for companies that manufacture their own products, which is not the case for the export companies, and the lack of an appropriate government permit covering many articles as a whole rather than as individual products, a practice that is disadvantageous for export companies.

Other points to be debated in September are said to include INFE scholarships for professional training abroad, the development of commercial-image programs and the study of special programs for the opening and consolidating of new markets. In this regard, the intent is for the INFE to pay part or all the costs of this opening of new markets for export companies which request it by means of a plan duly studied by the companies and approved by the INFE.

The AECE will also present an aid plan to the INFE covering the association's participation in specified fairs and expositions, although Spain will not officially participate.

For its part, the INFE, which has expressed its interest in strengthening this sector, offered the AECE the opportunity to install a computer terminal at the association's headquarters which would be connected with the central INFE computer.

Facilitating Exports

The National Association of Export Companies has just completed its first year--it was established on 4 August 1983--and has its sights set on defending the commercial interests of export companies vis-a-vis the administration and promoting a group of companies which so far have been left out of legislation. One of its objectives is to facilitate exports, by moving into different markets with varied articles.

As for countries which offer the greatest future prospects for exports, Andres Manzano said that in addition to the traditional European, Arab and Asian markets, basically Singapore and Malaysia which, moreover, are those which are being developed the most, the United States continues to be the exporters' favored market, to which they will devote all their efforts because of this market's enormous potential of which Spain, in spite of minor successes, has not yet tapped 2 percent of its potential.

MADRID BOLSTERS TRANSPORTATION ACCORDS WITH MEXICO

Madrid DIARIO 16 in Spanish 6 Aug 84 p 11

[Article by Soledad Gallego]

[Text] Mexico--"Mexico and Spain will bolster their bilateral accords in the maritime and air transport sectors to facilitate the activities of both countries. Our two nations are in a position to diversify their forms of cooperation, as they share the vehicle of language. Spain is a country with midlevel technology and can be useful to Mexico, a country whose industrialization process is moving at a very rapid pace and also has a very important industrial and training base." This statement was made by Enrique Baron, minister of transportation, communications and tourism, during his visit to Mexico.

In the industrial port of Lazaro Cardenas, on the Pacific Coast, where the Mexicans are developing their naval industry and a considerable maritime center has been established, Baron recalled the agreement signed by both governments to promote traffic between Mexican and Spanish ports "to give impetus to the development of the shipping companies of both countries, keeping in mind that there is very important traffic between the continent of Europe and the countries of Latin America."

During the same meeting, there was discussion of other agreements which are still in force such as the railway agreement which was signed in 1981. This agreement deals with the modernization of the national railway system. On that occasion, this correspondent had the opportunity to talk with then head of the Mexican Railway System, Gomez Zeta, who expressed his preference for the installation of the Talgo train on Mexican soil.

Another agreement mentioned deals with the training of cadres and the development of civil aviation with a view to the joint expansion of aeronautical production.

For his part, the Mexican secretary of communications and transport, Rodolfo Felix Valdes, said, "The lack of a maritime infrastructure is forcing Mexico to spend \$600 million annually on the leasing of foreign ships to carry the products coming to the country."

EXPLORATION SUGGESTS UNEXPECTEDLY LARGE OIL RESERVES AT BRIE

Paris LE NOUVEL ECONOMISTE in French 16 Jul 84 pp 60-61

[Article by Bruno Abescat: "Brie Oilfields Growing, Recent Oil Discoveries in Seine-et-Marne Reviving Oil Company Stocks in the Bourse, Contrast With Worldwide Trend:]

[Text] Oil is gushing at Chaunoy, some 60 kilometers from Paris, right in the middle of the rich wheat fields of Seine-et-Marne. That is a small town in the Blandy-les-Tours commune (600 inhabitants), that all the stock-brokers looked for on maps after the first drills sunk in April 1983 by the Esso Pep Company came up from the Chaumoy 1 well slimy with oil.

Chaumoy 12 is presently being evaluated and the geologists are ecstatic. To the west of Blandy, the French Petroleum Company (CFP), a partner of Triton France (an affiliate of the British company Invest Energy), has in turn just discovered "hydrocarbon indications" during a first drilling on the Sivry tract near Melun.

This is cause for celebration for the investors and stockholders of the companies who recently have been talking at the Bourse about nothing other than the existence of a "great Chaunoy". For almost 14 years Esso has been carrying out extensive exploration on the Brie tract. This year Esso's exploration and development expenses are on the order of FR 800 million. The prospect of a Chaunoy deposit more promising than expected pleases the directors. Its production capacity ought to reach 500,000 tons of oil per year by 1985. From that one imagines that the Brie field will turn into a French Dallas....

Nuisances

It is good to place these discoveries in their proper context. National crude oil production has risen to 1.66 million tons. That represents only 2.1 percent of total consumption. Chaunoy is not a second Parentis, even if it does make up for the decline in the Landes deposit. And it does so at a lower cost: One drilling in Brie costs about 9 million compared to 70 to 80 million in Aquitaine! The residents of the communes of Blandy, Saint-Mery, Andrezel and the surroundings seem less enthusiastic. At Champeaux (800 inhabitants), where they are getting ready for the most

beautifully flowered village competition, the mayor, Mr Jean-Claude Poisson, lists the nuisances that his commune has to put up with. He starts with "the truck traffic in the region".

Esso nevertheless enjoys a good image. "They are proper people," stresses Mr Poisson, who adds that, in just the one commune of Champeaux, the company has already spent Fr 470,000 on repairs to the road system. The environment has moreover not been disturbed; the wells are inobtrusive and the view from the large square tower of the Collegiate Church dating from the 13th century is as beautiful as ever. To be sure, nearby in the fields young partridges are becoming more scarce, to the chagrin of hunters.

"Lastly, this oil is a windfall," concedes the mayor of Blandy, Mr Jean Metier, who is calculating the profits and losses. At 4 or 5 francs per ton of oil pumped (out of a total tax of Fr 33.10 paid by Esso to the State), the village should receive about Fr 500,000 per year. This is true manna for the commune whose budget has risen to Fr 1.8 million. And if the elected officials lament the fact that there are for now no new jobs, the artisans and business people are more optimistic. At the "Restaurant des Tours" across from Blandy's fortified castle, the proprietor acknowledges "from 2 to 20 additional customers per day".

The farmers, under whose feet the oil gushed, lament the fact that Brie is not Texas! What is under the ground in France belongs de facto to the State. At "Chaunoy Mill" on his property at Champeaux, Mr Rene Coquin had to cede 2.6 hectares planted to wheat and colza. "As a landowner," he reports, "Esso paid me Fr 30,000 per hectare supplemented by 25 percent of that amount for 'reinvestment' to cover the probable expenses for repurchase of land. As a farmer, I also received a one time, flat rate indemnity of Fr 20,000 per hectare not counting the price of my surface harvest." In addition, Esso has agreed to reimburse property taxes each year.

Duly compensated, the farmers can always turn to the Bourse where a strong smell of oil prevails. In Paris, Esso SAF, which was quoted at Fr 290 last September, was worth Fr 731 on Monday. And, in London, Invest Energy quoted 3.8 pounds sterling (about Fr 45) against a low this year of 2.8 pounds. "These showings are not too exceptional," observes Mr Jean-Pierre Hellebuyck, portfolio manager of the Drouot group. "For the wind is not favorable. World oil prices are tending to decrease. And the refiners' situation is not remarkable." Only new discoveries would prompt operatives to pay high prices for company shares, even if the oil from the Parisian basin (of good quality) offers companies the possibility of obtaining funds for reconstitution of the deposits.

RESERVES

For the present, Esso remains the investors' choice. Alone or in partnerships, the company is the one which holds the largest number of permits in the region. The recoverable reserves of the Chaumoy deposit and of its supposed western extension are most often estimated at 100 million barrels of which some 70 percent could go to Esso. The oil pumped is usually valued

at \$10 a barrel by the experts. Based on this (and a dollar valued at Fr 8.50...), Chaunoy would thus represent about Fr 500 per share. Or more than two-thirds of the market value of Esso! "For its part, the CFP," adds Mr Hellebuyck, "allows speculation on an oil share with a comfortable return of 9.5 percent." The CFP also holds several permits, one of which is Montmirail-les-Sieges (in partnership with Triton), in the eastern part of the Parisian basin where the Villeperdue drilling leads to anticipation of a production of more than 100,000 tons in 1985.

But, according to the general opinion, it is probably Invest Energy--because of its more modest size (less than Fr 700 million of market capitalization) --which stands to benefit from the most significant leverage in the event of new discoveries.

The plains of the Parisian basin have undoubtedly not yet revealed the full extent of their resources. The stock prices of the companies present in the area (without forgetting Petroles BP, Elf-Acauitaine, Eurafrep...) should be followed closely.

12666

CSO: 3519/439

PROBLEMS OF NATURAL GAS SALES AFFECT BUDGET

Amsterdam DE TELEGRAAF in Dutch 14 Jul 84 p 45

[Article by C. van der Wild: "Natural Gas Casts a Shadow Over Estimates for 1985"]

[Text] The offers of the Russian natural gas exporter, Soyuzgasexpur, to Belgium to fill temporarily its added need for natural gas could not come at a worse time for the Lubbers Government.

What was a threat for almost a whole year, is becoming a reality, just at the moment the Gasunie is carrying out its triennial negotiations with the most important foreign customers for our natural gas. These are West Germany (Ruhrgas), France, and Italy and Gasunie has the intention of establishing this fall the quantities of gas to be exported and the price.

The Russians offered natural gas to Belgium for a price even lower than that available to their steady customers, West Germany and France. In order to retain Belgium as a customer, Minister Van Ardenne agreed to a price equal to the extremely low Russian price.

In fact, the discussion on the price of natural gas with reference to export contracts as well as for domestic consumption, returns to the concept which is considered by many to be a more basic standard: the international natural gas market.

This market is characterized by very rapid developments that are not always equally pleasant for the government's budget. Actually, in 1982 the Netherlands Government was dependent upon natural gas for 15.5 percent (almost 20 billion guilders) of its income.

Although The Netherlands is still the largest natural gas producer within the European Common Market with about 46 percent, England is quickly catching up and now accounts for 27 percent of the production. In addition, the competition from outside the Common Market is increasing, namely the USSR, which also uses natural gas contracts as a political instrument, Norway, and Algeria.

The developing international natural gas market is characterized by large surpluses along with the resulting vigorous price competition. This

development will not pass unnoticed in The Netherlands. The export of Dutch natural gas last year increased by 2 percent to about 35 billion cubic meters, but in monetary value this represented a drop of 13 billion guilders to 12.4 billion guilders. The gas market in countries receiving Dutch gas expanded by 4 percent to a total of 127 billion cubic meters. The Dutch gas portion dropped from 29 percent to 28 percent.

There are indications that The Netherlands is not reacting with flexibility to the internationalization of the gas market. For the time being, the Ministry of Economic Affairs refused to see more in the delivery of Russian gas to Belgium than just an incident. The head of Shell, Mr A. C. Helfrich, Drs, warned even last year that The Netherlands could miss the boat. According to him this lies in the structure of the Gasunie in which the government has at least a 50 percent interest through the DSM [Dutch State Mines]. Helfrich felt that a private Gasunie could adapt much more quickly to the changes in the European gas market.

The Association of Gas Distributors in The Netherlands, the VEGIN, is dealing directly with the new Development in order to apply other standards to domestic sales as well.

If the VEGIN originally maintained that the coupling of the natural gas with the price of the (relatively cheaper) fuel oil was more realistic than the coupling with the (expensive) home heating oil, then this viewpoint has now been abandoned and agreement with price that is set up by the international market is advocated. The Russian initiative in Belgium, according to the VEGIN, should mean that the phased increase of the gas price to the consumer of three cents applied three times (of which the first three cent raise has already been applied) is now not necessary.

The combined effect of the developments on the export market for gas and the pressure within the country to keep pace now with the price drop in the export market will provide the necessary mental stimulus during the preparation of the 1985 budget estimates.

The interruption of the intended price increase of six cents means a loss of income equal to about two billion guilders with domestic sales of 38 billion cubic meters. How unsure the cabinet must feel over the future developments in the area of natural gas is illustrated by the passages which the Central Planning Bureau [CPB] devotes to this subject in the Macro-Economic Survey for 1984 [MEV] and the Central Plan of this spring.

In the MEV the expectation is expressed that the exportation of energy will increase by 2.5 percent. The export price of natural gas should decline although this reduction according to the CPB will remain restricted to one percent in view of the assumptions regarding oil prices and the dollar rates of exchange.

But uncertainty is creeping into the Central Plan. First of all, it is assumed that there will be a declining trend in the rate of exchange of the dollar, which should return in 1984 to the average level of 1983, which was

2.85 guilders. On the same page a footnote expresses a strong doubt about this projected course of the dollar rate of exchange, which is a determining factor for the oil price in guilders and in the long run, even though it may be with a delay of half a year, also for the natural gas price if the present coupling with oil remains in force.

As an alternative the results were then calculated for a ten percent higher dollar rate of exchange. What does this mean then for the natural gas income? The CPB states: "It should be noted that the natural gas export prices are applied with a delay. In 1984, accordingly, there will hardly be any question of increased natural gas profits for the government."

Which conclusion must the cabinet draw? Which share of the world market goes to The Netherlands as a natural gas exporter? What are the results of the natural gas surplus on the price? It is a fact that even the international natural gas market will be quoted in dollars. But what is a government to do with this knowledge if the currency fluctuates within half a year from 3.15 guilders to 2.85 guilders and then back again to 3.15 guilders?

Should Minister Ruding thus regard the course of the fiscal deficit less optimistically than the Central Planning Bureau? It is suggested that he remain on the cautious side in order to realize in any case the projected economies. In view of the large portion of the natural gas income in the total government income, the uncertain developments in the natural gas market could also be responsible for the "melancholia" ascribed to him.

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CSO: 3614/109

FOREIGN AFFAIRS PANEL CHIEF THREATENS UK OVER ROCKALL DISPUTE

Denmark, Ireland Also Involved

Reykjuik MORGUNBLADID in Icelandic 7 Jul 84 p~25

[Text] "We must unite together to claim our rights in accordance with international law," said Eyjolfur Konrade Jonsson, chairman of the foreign affairs panel working on Iceland's claims in the Rockall area.

Icelandic Government officials have informed government officials in Great Britain, Denmark and Ireland about the Icelandic viewpoint concerning Icelandic sea floor rights in the Rockall area, located to the south of Iceland, as was reported yesterday in MORGUNBLADID.

MORGUNBLADID reported yesterday that the Althing's foreign affairs committee had requested that our government have our representatives for Law of the Sea issues in the Rockall area propose that Iceland should lay claim to the Rockall plateau, informing the UN that they intend to extend the boundaries of our territorial waters as far out as the 200-mile boundaries of Ireland, Great Britain, and the Faroe Islands, as well as to the boundary of Greenland's economic jurisdiction. This would mean that Iceland's sea floor jurisdiction would include 350 miles along the Reykjanes ridge, plus as much as 700 miles in the Rockall area.

Eyjolfur Konrad Jonsson, MP, was the first to present the bill, supported by the Independence Party, which proposed a parliamentary decision concerning the southern limits for Iceland's territorial waters, and which was presented in the autumn of 1978. This was the first time this issue was raised in the public arena. Jonsson is now the chairman of the Althing's foreign affairs committee, and MORGUNBLADID requested an interview with him regarding this matter. Jonsson recounted the affair as follows:

"In the fall of 1978, we presented the first proposal for a parliamentary decision in this matter, and that winter our bill was approved. Ever since then, we Icelanders have continued to confirm our rights in this area, and the Althing has approved decisions dealing with the issue three times. We Icelanders have always dealt with this matter in accordance with UN Law of the Sea agreements,

and as early as 1978 we requested formal negotiations with Britain, Ireland, Denmark and the Faroes--particularly with the Faroes. Our Icelandic representatives on the UN Law of the Sea committee have called for many meetings, both formal and informal, with the above-named parties, in order to push for a solution to the problem. The Irish have never consented to formal negotiations, although the British and the Danish have. The first official meeting with the British was held in Geneva in August of 1981.

"Just as the parliamentary decisions indicated, we Icelanders are of the opinion that we have more right than any other nation to the sea floor on the Hatton-Rockall plateau, as well as the right to a 300-mile limit along the Reykjanes ridge and its adjoining cliffs. In connection with this, the Icelandic Government and the Althing's foreign affairs committee have worked together in seeking the advice of one of the most prominent specialists in the field of sea floor rights, Dr Talwani, who was also our advisor in the Jan Mayen affair, when we tried to find a solution satisfactory both to Iceland and to Norway, having to do with common ownership and common use of the natural resources in the extensive marine area around Jan Mayen.

"We have been trying for a long time for a similar solution in determining jurisdiction over the Rockall area, and we have particularly striven for a cooperative arrangement with the Faroese. We believe that we unequivocally have the most right to this area, but we have nevertheless offered a cooperative ownership arrangement to the Faroese and we have many times sought cooperative with the British and the Irish. But these attempts at negotiation have taken a very long time, and we are unwilling to wait longer. For this reason we must unite together to claim our rights in accordance with international law. In addition, we feel that it is only natural to ask the governments of all the nations who feel that they have an interest in this to take note that we would like to begin discussions as soon as possible, to enable them to promote their own goals, before we bring the matter up at the UN."

Jonsson supported Iceland's claims in an article he wrote on Icelandic rights to the Rockall plateau which appeared on 12 March 1982 in MORGUNBLADID. Later that year, these arguments were repeated, unchanged, when the Independence Party presented the third parliamentary decision proposal on the subject, with Jonsson as its primary spokesman, just as had happened twice before. Part of Jonsson's article went as follows:

"We Icelanders have a number of arguments to present regarding our rights to the Rockall plateau, some of which are indicated below.

"1. Fairness is the ground rule which ought to apply, going by the word and spirit of previous Law of the Sea agreements and negotiations, and it should be counted fair for each of us to be entitled to a portion of this area, at least if the Irish are. And our manner of conducting negotiations in this matter should be such that it be counted fair.

"2. For 100 million years, the same geological conditions have characterized the physical history of the area including the Rockall plateau, Iceland, and the Faroe Islands.

"3. We are inseparably connected with the Hatton Bank via the Icelandic-Faroese ridge; the ridge is a natural continuation of Iceland's land mass.

"4. The Icelandic-Faroese ridge is composed of a particular variety of deep-sea crust, which is called 'Icelandic type crust.'

"5. The depth from Iceland to the Hatton Bank is in no place greater than 2,500 meters, which is the limit indicated in Article 76. Most of the sediments which have been formed by the action of the Icelandic currents go all along the Hatton Bank all the way down to the Bay of Biscay.

"6. If the midline rule were to be put into effect, all of the Hatton Bank would fall under Icelandic jurisdiction.

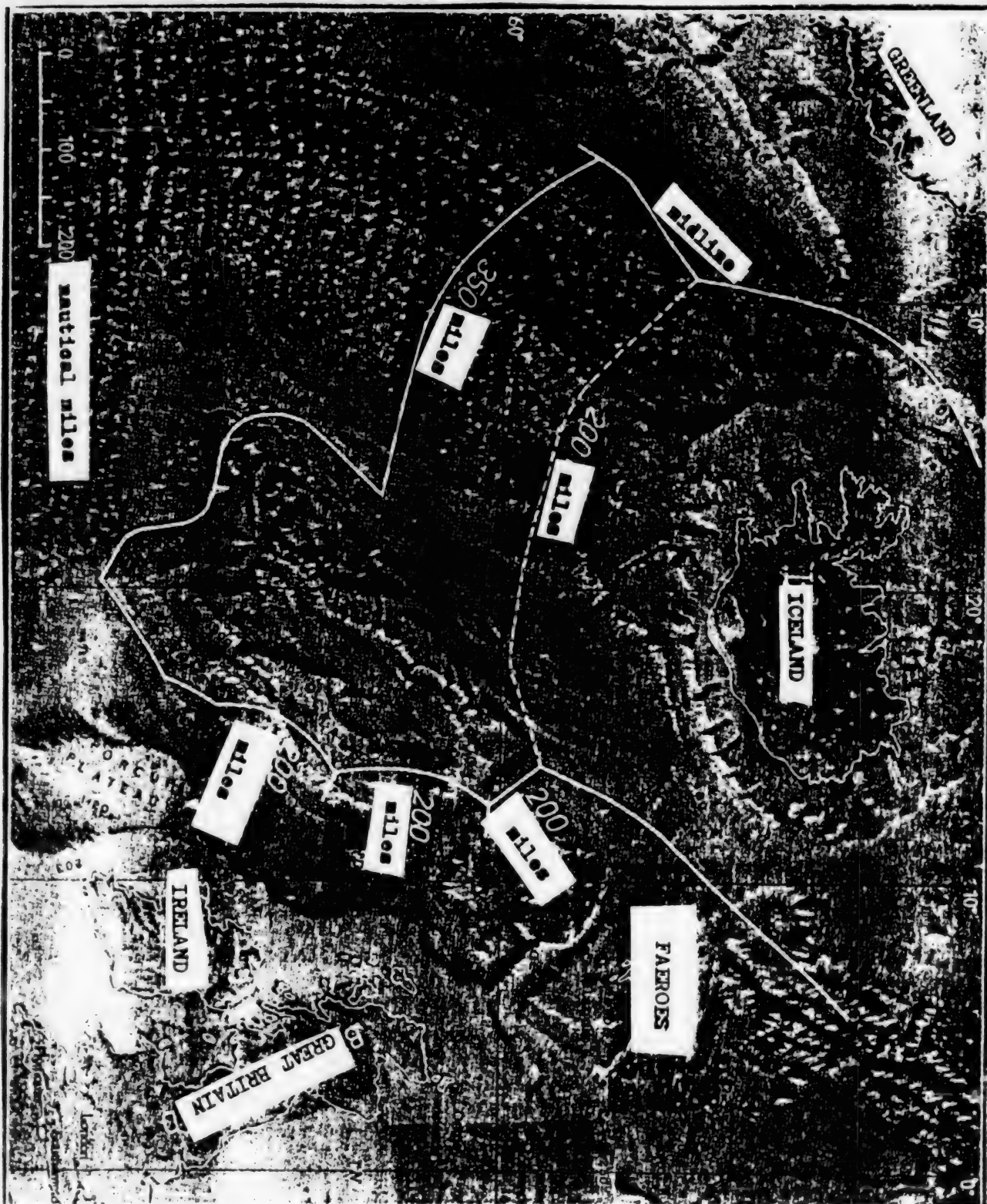
"7. Along the Icelandic-Faroese ridge, sediments have been found in core samples corresponding on land to a 1,300 meter depth.

"8. The geological history of the Icelandic area, all the way from Greenland and Jan Mayen to the Faroe Islands and the Rockall area, is unique on our planet.

"9. The concept of 'natural continuation' or 'natural prolongation' has never been defined thoroughly enough to determine its logical consequences, although the situation occurs in countless places in the oceans of the world.

"10. The regulations which were drawn up when the Jan Mayen agreement was made should point the way to a decisive solution for these four neighbor nations.

"11. If no agreement can be reached among those nations that have laid claim to the area, such that none of the parties is granted anything, then the area should be declared international."



MAP CAPTION

The map shows the Rockall "plateau" on the sea floor. The limits of Iceland's current economic jurisdiction are indicated on the map by a broken line. A 150 mile wide belt, which unequivocally should belong to Iceland, and is an extension of our current jurisdiction over the Reykjanes ridge, has also been drawn in, as well as the territorial waters around Rockall, which we have also laid claim to.

Paper Backs Government in Dispute

Reykjavik MORGUNBLADID in Icelandic 7 Jul 84 p 24

[Editorial]

[Text] Foreign Minister Geir Hallgrímsson has taken some decisive steps toward informing our neighbor nations about our Icelandic viewpoints on those rights which we consider ours to claim in the so-called Rockall area. The day before yesterday, the foreign minister invited the Danish and Norwegian ambassadors in Reykjavik to meet with him, and gave them a statement proposing borders for Icelandic territorial waters and Icelandic claims to the ocean floor to the south of Iceland. On the same day, the Icelandic ambassador in Ireland went to Dublin and gave a copy of the same statement to the government there.

The beginning of all this can be traced back to the fall of 1978, when Eyjolfur Konrad Jonsson presented a proposal for parliamentary decision, together with seven other Independence Party MP's, including the current foreign minister. The proposal included the following: "The Althing has decided to entrust the government with the task of immediately opposing all attempts of the British to take possession of the Rockall bluffs. The Althing further states that the determination of the farthest Icelandic territorial water border to the south should consider that no nation has a claim to Rockall." In the course of the continued discussion of this decision proposal, the Althing agreed to a parliamentary decision in December of the same year which was worded as follows: "The Althing has decided to entrust the government with the task of immediately counseling with Icelandic and foreign specialists in order to produce the most detailed analyses possible of our territorial waters and their relationship to the geology of our neighboring nations."

The same MP's brought up the issue again in the Althing in the fall of 1979, and in the spring of 1980, an additional parliamentary decision was agreed upon in the Althing on the basis of their proposal, in which the government was urged to act quickly upon the parliamentary decision on this issue from December 1978.

These Independence Party MP's, under the leadership of Eyjolfur Konrad Jonsson, presented a new proposal on the issue to the Althing in 1982, this time requesting efforts to achieve a consensus with the Faeroese concerning joint rights to the Rockall area. Attempts will continue to come to an agreement with the British and the Irish concerning ownership and management rights for the sea floor on the Rockall plateau. The Althing approved the parliamentary decision in March of 1983, in which the government was entrusted to work towards

such agreements, together with the Althing's foreign affairs panel. And now the matter has come to the point, as already mentioned, that the foreign minister has begun to act.

It is only natural that many people are wondering why the Icelanders would want to lay claim to this area of the ocean floor, since there are no definitive analyses available of the natural resources found in the area. Our answer to that is that there will be increasingly more attention paid in the coming decades on the use of the natural resources of the ocean floor. And so it is a natural issue for us Icelanders to try for all the rights to natural resources on the ocean floor which the appropriate analyses and international agreements have mentioned. It may happen that this far-sightedness will pay big dividends in the Icelandic economy, although it may take a while. Other nations probably won't want to hand us these rights on a silver platter, but will be trying to hold on to what they can claim of their own surroundings. There is every reason for us Icelanders to take the initiative in this matter, just as we have already done through the actions of our foreign minister. Meanwhile, we need to hold fast to our claims and to show flexibility in negotiations.

When the Jan Mayen agreement was signed with the Norwegians, their ambassador, Hans G. Andersen, told MORGUNBLADID the following: "It is a great advantage for us to have come to this conclusion. There is no doubt that the British, the Irish and the Danes will notice what we have done here and will pronounce it satisfactory. It would be truly satisfying if the Rockall issue could be taken care of in the same spirit, in the anticipated negotiations, since the parties involved there are also friendly neighbor nations, who ought to be able to work out a fair solution, despite all odds."

UK Official Responds

Reykjavik MORGUNBLADID in Icelandic 25 Jul 84 p 64

[Text] "We firmly believe that Rockall belongs to Great Britain. We think that there is no doubt that we are entitled to this belief. Nor do I think that any nation is capable of bringing our sovereignty over this area into doubt," said British foreign ministry spokesman Richard Clarke, when a reporter from MORGUNBLADID interviewed him yesterday and asked him about the British position on the Rockall issue, and whether it had changed as a result of the discussions which the British and Irish authorities have been having.

"We have been discussing the economic jurisdiction over this area with the Irish authorities," Clarke said, "and I think I am representing the matter accurately when I say that both parties are willing to submit the matter to an international court. We have discussed the matter with the Danes also, since they had asked to bring the issue out into the open. We have also exchanged views with the Icelandic authorities, but I cannot give you any more details on that now."

As far as any changes go regarding the British position on the UN law of the sea policy, Clarke said that the issue had yet to be settled, and that their position was therefore unchanged. There have been conferences held on this issue in Kingston, Jamaica, which will continue later this year.

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